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Service Co-Design in the Finnish Municipal Sector - Case: Early Education Services

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The primary purpose of this thesis was to research how customers could be involved in the co-design of municipal services in Finland and to discover what kinds of best practices or processes have been established for this type of activity. The objective was to form a process model for co-designing services in the municipal sector, a model which would not be tied to the content.

In 2010, the city of Lohja initiated a project with the aim of developing the city's service processes and incorporating customer involvement into these processes, encouraging the city organisation's customers to improve, create and design the services offered by the city, so that they would better match the customers' needs. One concrete area of focus of the project was the early education services unit, in which the objective was to set up workshops with customers in order to generate ideas, hear directly from the customers how they experience the services, how the services could be improved and find ways to involve the customers more in the service development. The same type of customer involvement and co-design has also taken place in other cities in Finland mainly through different types of piloting projects.

The theory in the thesis is drawn from the subjects of service-dominant (S-D) logic, service co-design, customer involvement, service design and organisational change management. The data was gathered in multiple ways. Workshops for city employees and customers were arranged, and four benchmark cases around Finland were studied in order to gain insight into the status of service co-design in other areas around Finland. The research was complemented by expert and customer interviews and observations. Numerous books, articles, websites and newspapers were also consulted.

Customer involvement and service co-design have become a key aspect of municipal strategy on a national level in Finland. It has clearly been noted that there is a need to involve customers in the design and development of services in the public sector. Service design methods and tools can provide new and innovative solutions to meet this goal.

Based on the outcomes of the research a formed process model was developed and is presented in this thesis. The model was designed so that it can be applied in other service co-design contexts, both in public and private sectors.

Keywords

Co-design, service design, organisational change management, customer involvement, Service-Dominant (S-D) logic, early education services, municipal sector

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1 Introduction

The role of design and service design in public services is a topic fairly little investigated in Finland. Nevertheless, in recent years there have been several projects carried out in the municipal sector and levels of interest have risen towards the opportunities presented by this field. Service design is an interdisciplinary approach, meaning that it combines different methods and various tools from many disciplines. It can be defined as follows:

“Service design helps to innovate (create new) or improve (existing) services to make them more useful, usable, desirable for clients and efficient as well as effective for organisations.” (Moritz 2005)

Service design entails including the user of the service, the customer, in the innovation and design process of the service. The customer’s input in the process is essential. Traditionally, the public sector has not been perceived as prioritising customer input or the customer’s experience of the offered service, but rather customers have been regarded more typically as the recipients or targets of the various service transactions. Hence, it may be valid to ask where the need for involving customers in the design of public services comes from. Does it originate in city council boardrooms as the “new, innovative thing” to do? Is it an initiative pushed forward by enthusiastic and active citizens? It would also be interesting to find out whether it has been noted or taken into consideration by the service providers, such as city or municipality organisations.

Customer involvement and service co-design have been recorded as a part of municipality strategy on a national level in Finland. It has been clearly noted that there is a need for involving public service users, the customers, in the design and development of such services. According to the Association of Finnish Municipalities (Kuntaliitto), the key motivations for enhancing this type of activity include such factors as improving service quality and efficiency through correctly targeted feedback; reduction of “internal blindness” when it comes to the city/municipality organisation’s own activities and processes, and increased understanding of users with regard to the limitations and opportunities of service activities. This type of activity also offers the citizens a more convenient and a non-political way of participating, and can create opportunities to make cost savings by eliminating unnecessary routines and work methods. (Kuntaliitto (2009))

There are several ways in which citizens, or customers of public services, can currently become involved in co-designing services together with the service provider such as the municipality. These methods are, for example, user representation in the authority organisation (the role can be advisory or that of a decision maker, for example a parents’

association); user panels or councils in which a group of service users discuss the development and design of a service; and, feedback and questionnaires/surveys/inquiries which enable direct contact with the authority. The different forms of feedback are, for instance, feedback slips, internet polls, e-mail inquiries and customer surveys. (Kuntaliitto 2009)

Hence, it seems to be in the interests of the municipal service providers to gain insight into how citizens perceive the available service offering, how it could be improved and find different ways of communication and participation. This could not only have a positive effect on the service quality but also have positive financial implications. The methods of involvement and encouragement of participation applied so far include, however, rather typical or traditional customer insight tools such as customer panels and different varieties of feedback collection.

Customers have new and perhaps greater expectations from their service providers and this has also been noted among the public sector service providers. The concept of customers participating in the design and delivery of services is still rather novel; however, there are clear signs of a shift which will have an impact on the role of service design (Thurston 2009).

The activity of service design in the public sector involves different considerations than similar activities in private organisations. These differences are apparent, for example, in the size and structure of the organisations.

When discussing service design of public services it is noteworthy to mention that there are certain limitations typical of the public sector. For instance, public sector organisations tend to be sizeable and complex in nature, which can create obstacles in terms of innovation. Service design in the public sector in fact often deals with innovating within services that already are in place instead of creating completely new services. Applying new, collaborative methods, such as co-design can enable customers and service providers to better understand the role each plays in the design and improvement process of a given service. (Thurston 2009)

The inspiration of this thesis was to find out if there could be other ways to enhance and deepen the co-operation between the public municipality organisation and the customer when it comes to co-designing services.

1.1 Background

The city of Lohja, a bilingual (Finnish-Swedish) city of approximately 39,000 people located in southern Finland, initiated in 2010 a project called “Boost for the service processes” (in

Finnish: Potkua palveluprosesseihin) with the aim of developing its service processes and incorporating customer involvement in its service processes. Through the project the city also sought to encourage the city organisation's customers to improve, create and design the services offered by the city so that they would better match their needs, meanwhile also contributing important information and feedback to the city organisation. One of the concrete focus areas of the project was the early education services unit in which the objective was to set up workshops for customers in order to generate ideas, hear directly from the customers how they experience the early education services, how the service could be improved and find ways to involve the customers more extensively in the service development.

Given that the topic of service design and co-designing services together with customers in the public sector has so far rather few local precedents, the city of Lohja considered it interesting to study the topic and observe their own experiences of the city's day care services in the workshop project. With the aim of gaining a holistic picture of customer involvement and service co-design in the municipal sector and learning from other organisations' experiences it was found necessary to investigate what had been done in this sector in other Finnish cities or municipalities. The purpose was to gain insight into customer co-design activities carried out in different municipalities and to discover possible best practices established in this field. This was done through benchmarking four other Finnish cities or municipalities. Additionally, expert and customer interviews were carried out in order to gain further insight into the topic.

The focus of the research was not on the content or quality of the services but rather on the methods and processes used by the different cities and municipalities in involving their customers in the co-creating of the services.

1.2 Objective

The purpose of the thesis is to research how customers could be involved in the co-design of public municipal services in Finland. This is done through a central case, four benchmarks accompanied by expert and customer insight, and by discovering what kinds of best practices or processes have been established for this type of activity. The objective is to form a process model based on the empirical research and current relevant theory for the co-design of services in the municipal sector.

1.3 Key concepts

In the beginning of any research it is important to define the key concepts in order to gain an understanding of the central themes related to the research topic, and to visualise and comprehend how they are related to one another. In this section the key concepts of the thesis are introduced and briefly defined.

The following terms, which have been selected by their relevance to theory regarding the thesis topic, have been identified as key concepts for this thesis: Service-Dominant (S-D) logic, service design, service co-design, customer involvement, organisational change management, services, municipal services, and customer. These key concepts form the so-called backbone for this thesis and thus briefly described in the following paragraphs.

Service-dominant (S-D) logic is a term used in the marketing and service contexts referring to a new, emerging logic “...focused on the interaction of the producer and the consumer and other supply and value network partners as they co-create value through collaborative processes.” (Lusch & Vargo 2008)

Service design can be defined as an activity to make the delivered service useful, usable, efficient, effective, and anticipated. Service design helps to identify problem areas and generate ideas for improvement; it may redesign products or processes to improve the way they allow customers to interact while they use a service. (Design Council 2011)

Service co-design refers to inviting the customer to participate in the design or development process of a service. Co-design can be understood as based on the logic of co-creation. By the logic of co-creation value is created jointly by the customer and the company/organisation, and by which the customer is an active participant in the development process (Prahalad & Ramaswamy 2004).

Customer involvement can be defined as processes and interactions in which an organisation rendering a service cooperates with customers with the purpose of learning about the market and also in order to modify organisational behaviour. In the service innovation context customer involvement can be described as those processes and interactions in which an organisation rendering a service cooperates with customers in a service development project in order to gain early insight into customers’ latent needs and react to them through the development of new services. (Matthing, Sandén, Edvardsson 2004)

Organisational change management refers to managing change within an organisation, whether creating change in a planned and organised manner or responding to change to which the organisation has little control. (Nickols 2010)

Shostack (1977), among others, has characterised services by the following elements: intangibility, inseparability, perishability, heterogeneity, and customer participation (Ojasalo 2010). As Moritz (2005) explains, services are intangible as opposed to physical products; they cannot be touched nor do they have a physical form. Services are inseparable as their production and consumption takes places usually at the same time. Services perishable are as they cannot be stored nor can inventory be taken of them. Services are heterogeneous as no two services or service experiences are ever exactly alike. Service delivery always involves some type of customer participation.

Municipal services are a part of public services which are services determined by law to be provided by the public sector. Usually the public sector finances most of these services. The public sector can also support the production of private services through different types of support mechanisms. Based on cost criteria the largest service group in the public sector are social, health and education services. Most public services in Finland are organised by the municipalities. The municipalities have the right to decide how the different services are organised. (Valtiovarainministeriö 2005) In Finland cities and municipalities cover approximately two thirds of all public services while one third of the public services are covered by the state. The Finnish cities and municipalities employ a notable number of people as there are approximately 430.000 employees working in the city and municipality organisations country wide. The core functions of these organisations include the provision of the basic services to the citizens, such as social and health care services, educational services and environmental and infrastructure related services. (Kuntaliitto 2011)

In this study, the term customer is used to describe the user of service. When discussing public services the user of service could also be called citizen. It is generally understood that a user is a person to whom a product or a service is designed. Customer on the other hand is a term used to describe a person or an organisation which purchases a product or service. The term citizen is generally used to emphasise the societal role of a person. In this thesis the term customer is used and it refers to a parent. This term was selected over other alternative terms such as a user or a citizen. Therefore, the customer segment researched in the central case of this thesis, the Lohja case, is parents, customers of municipal children's services (mostly day care or early education services). The other clear customer group to be researched in the central case would have been the users of the service, children, however in this thesis the selected customer profile is that of the parents. In the central case studied i.e.

Lohja, parents were the selected customer group and therefore it was considered necessary to maintain this same customer profile for the whole thesis.

1.4 Empirical investigation

The purpose of the development process was to study how customers could be involved in service co-design together with the municipal sector service providers in selected cases in Finland. The central case of the study was the city of Lohja early education services unit's parent workshop project. The workshop project formed part of a larger project called "Boost for the service processes", initiated in 2010 and finished by the end of 2011, which had the purpose of developing the city organisation's service processes and incorporating customer involvement in them. The purpose was to encourage customers to generate ideas, become involved in the service development of the city and for the city organisation to find new ways to collaborate with its customers. One of the concrete focus areas of the project was the early education services unit in which the objective was to set up workshops with customers, parents, in order to generate ideas, hear directly from the customers how they experience the early education services, how the service could be improved and find new ways to involve the customers in the service development activities. There were two primary workshop profiles: one of an internal workshop for the city personnel involved in the parent workshop project and another of an external workshop for customers of the early education unit: parents.

In order to gain a holistic view of the activity of service co-design in the municipal sector in Finland, to gain insight into what other methods than workshops have been applied and in what other ways customers of municipal services have been involved in the co-design of services in Finland, four benchmark cases of cities/municipalities around Finland were selected to form part of the research. All benchmark cases were of the field of early education or children's services. The benchmark cases came from the cities of Mikkeli, Oulu, Tampere and Helsinki. They were chosen as a result of desk research and recommendation from the research subjects. They were selected based on their relation to citizen co-design and relation to the same public sector area. All of the benchmarked cases met the criteria of providing a public service administered by the municipality or city, and using some co-design or service design methods in their projects that were studied. The focus of the research was not on the content of how to improve the specific services of the benchmark cases but instead on the methods and processes of how the different cities and municipalities had involved citizens in co-designing these services. The benchmark cases were examined in order to find out what kinds of experiences with customer involvement and service co-design had already been gained, reflecting them to the Lohja project.

In addition to the information and insight gained from the Lohja project and the benchmark cases, the research was complemented by expert interviews with representatives of the Association of Finnish Local and Regional Authorities and interviews with customers. The representatives from this organisation were chosen for the expert interview, because they were able to provide a holistic view from all Finnish municipalities and because their role is to support and get municipalities to join their pilot and development programs. Customer view, in this case parents, were a natural choice in order to gain understanding, in what way parents would like to contribute and co-design public services.

Based on an analysis of all of the information collected including relevant theory, the overall purpose was to finally develop a process model for customer involvement and service co-design in the municipal sector.

1.5 Structure of the thesis

Section one presents an introduction to the thesis topic, its background, objectives and key concepts. Section two focuses on the theoretical framework of the thesis covering the central theoretical themes related to the topic. In section three the empirical development process and methods are described and discussed. The results of the development process are presented in detail in section four which lead to the outcomes of the research presented in section five. Finally, the overall conclusions of the thesis are drawn in section six including suggestions for further research. The structure of the thesis is illustrated in Table 1 below.

Table 1: Structure of the thesis

Section 1: Topic, background, objectives, key concepts
Section 2: Theoretical framework
Section 3: Empirical development process
Section 4: The results of the empirical development process
Section 5: Outcomes of the research
Section 6: Conclusions and suggestions for further research

2 Towards change through service design

In recent years it has become evident in many business fields that customers have taken an increasing interest in the design and development of the products and services they consume. It is no longer sufficient for companies to provide their customers with multiple choice offering instead of “one size fits all” -type of products or services. Customers seem to seek not only highly personalised solutions but also to have the opportunity to influence and participate in the design, development and delivery of the product or service. Additionally, the recent progress in media and communications technology have enabled new ways of communication between companies/organisations and customers. Different kinds of web platforms and social media innovations such as Facebook and Twitter have enabled companies and organisations to expand and intensify their communication channels with their customers.

Theoretical framework forms a basis for the empirical development process. The theoretical background for this thesis is quite extensive due to the fact that the definition of the topic requires several key concepts most of them which are though very closely interrelated. The theoretical framework is focused on the following concepts which are described in the section to follow in more detail: Service-Dominant (S-D) logic, service co-design, customer involvement, service design, and change management.

Service-Dominant (S-D) logic, service co-design and customer involvement were chosen as key concepts because of their relevance to the thesis topic and to one another. Also, these theories come up frequently in literature and seminar topics when dealing with developing services with the focus on customers, both in the public and private sectors. Service design offered the tools for carrying out the empirical development process and is vital in the processes related to executing customer co-design in practise. Finally, organisational change management was included as a key concept due to its indubitable connection to the internal processes that occur within an organisation when incorporating new structures, processes or culture. An organisation adopting a philosophy of customer co-design is an example of such a change.

2.1 Service-Dominant (S-D) logic

Service-Dominant Logic is an approach for a joined understanding of the purpose and nature of organisations, markets and society. The very core of the foundational proposition of S-D logic is that organisations, markets, and society are fundamentally disturbed with exchange of service, the applications of competences (knowledge and skills) for the benefit of a whole. In practice, service is exchanged for service, all companies are service companies, all markets

are positioned on the exchange of service, and all economies and societies are service based economies. Therefore, marketing, practice and mindset should be grounded in service logic, principles and theories. (Service-Dominant Logic 2011)

According to Grönroos (2000), S-D Logic refers to shifting the focus on consumers' value-creating processes instead of products. In these value-creating processes the value becomes apparent for the consumers and is perceived by them. Value creation is also at the centre of marketing instead of value distribution. (Service-Dominant Logic 2011)

With S-D logic, instead of service marketing separating from goods marketing, as has been the pursuit of the services marketing sub-discipline for several decades, all marketing needs to be disentangled from the goods and manufacturing-based model that being, goods-dominant (G-D) logic. S-D logic encompasses such concepts as the value-in-use and co-creation of value, rather than the value-in-exchange and embedded-value concepts of G-D logic. Instead of firms being informed to market to customers, according to S-D logic they are instructed to market with customers, as well as other value-creation partners in the company's value network. (Service-Dominant Logic 2011)

Service-dominant Logic represents a shift from an emphasis on the exchange of operand resources, usually tangible, passive resources, to stressing on operant resources, the dynamic resources acting upon other resources. S-D Logic applies specialised skills and knowledge as the center of economic exchange and as the foundation on which societies are built. Humans exchange the service, specialised skills and knowledge that they are able to provide for the others to the service they need from others. When goods are involved in the exchange, they are seen as instruments in the service delivery. S-D Logic makes the customer endogenous to the value-creation process. Value is the joint purpose of the actions of a provider and customer, but always determined by the customer. (Vargo & Lusch 2006)

"S-D Logic specifies that it is service, defined as the application of specialised competences (operant resources - knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself that is exchanged for service." (Vargo & Lusch 2006)

The eight foundational premises encapsulate the S-D Logic as seen in Table 2 below.

Table 2: Foundational aspects of S-D Logic (Vargo & Lusch 2006)

Foundational aspects of S-D Logic	
1.	The application of specialised skills and knowledge is the fundamental unit of exchange - service is exchanged for service
2.	Indirect exchange masks the fundamental unit of exchange - microspecialisation, organisations, goods and money obscure the service-for-service nature of exchange
3.	Goods are distribution mechanisms for service provision - activities render service; things render service - goods are appliances
4.	Knowledge is the fundamental source of competitive advantage - operant resources, especially know-how, are the essential component of differentiation
5.	All economies are service economies - service is only now becoming more apparent with increased specialisation and outsourcing - it has always been what is exchanged
6.	The customer is always a co-creator of value - there is no value until an offering is used - experience and perception are essential to value determination
7.	The enterprise can only make value propositions. since value is always determined by the customer (value-in-use), it cannot be embedded through manufacturing (value-in exchange)
8.	A service-centred view is customer oriented and relational, operant resources being used for the benefit of the customer places the customer inherently in the centre of value creation and implies relationship

2.2 Service co-design

The activity of designing services as a joint and collaborative effort between the service provider and customer is referred to as co-design of services. Other terms similar to this are for example service co-production and service co-creation. The term co-creation is often used to mean involving customers in the design, development or improvement of service; however, the more appropriate term for the actual activity is co-design. Due to the fact that co-design is understood to share many of the same principles as co-creation as a more comprehensive term, co-creation is also discussed in this section in order to create a wider context for the topic.

“Co-creation allows the customer to co-construct the service experience to suit her context, and the service design process offers methods to enable this.” (Miettinen 2009)

In traditional business models the company or organisation producing a product or a service has been the centre of focus producing a product and delivering it to the market. The value creation in this type of company-centric activity has been viewed from the perspective of operational efficiency and has left little room for the customers' perspective on what they value and what their experiences with goods and services are. This is not to say that efficiency would not be valued by customers, it in fact is especially when it enhances their experience with a certain product or service. However, companies and organisations tend to focus on the operational efficiency to the extent that they disregard the concept of value when it comes to the customer's experience. There has however been a clear shift in recent years in this regard as for example the information and communication technology have enabled customers to gain more access and power with regard to the choices they make and the experiences they seek with different products and services. Customers are gaining more and more power in the value creation chain. (Prahalad & Ramaswamy 2002)

Ramaswamy and Gouillart (2010) have distinguished four key principles for co-creation. Firstly, customer co-creation must produce value for stakeholders in order for them to participate. The stakeholders' level of participation in customer co-creation is dependent on the value it produces for them as well. Hence, they will not fully participate unless they perceive a clear value for themselves as an outcome. At an individual level the value perceived can mean psychological value, for example feeling appreciated, more confident or satisfied, or also economic value, for instance improved monetary earning or skill acquisition. At an organisational level the value is usually economic, meaning lower costs, increased revenue and improved productivity, although it may occasionally also present an opportunity to improve the social conditions of the organisation. Secondly, the focus must be on the experiences of all stakeholders. It is important to create rewarding experiences for all stakeholders and allowing them a key role in designing their mutual co-operation. Interaction between the different parties is the key and having a sense of being able to influence and design not only the interactions one has with others but also the various processes that go on in the organisation. An organisation can notably benefit from bringing together and utilising the expertise of its different people and allowing them to interact directly with one another in order to solve complex issues or bring forth and process new ideas. Finally, providing platforms for stakeholders to interact and share experiences is essential. Stakeholder interaction should be enabled and supported by providing a platform on which the stakeholders are able to interact and share their experiences. This could be a technology based or internet facilitated tool which would allow customers, employees, partners and other stakeholders to interact with one another, inform about important topics in the stakeholder network, and co-create and co-develop new ideas and concepts. (Ramaswamy and Gouillart 2010)

Regarding the limitations of co-creation in service innovation there is the important aspect that customers have limited knowledge about new materials or technologies and may hence, be unaware of the kind of ideas or innovation sought by the service provider. Especially when it comes to innovation, whether product or service, it is argued that customers do not know or have limited ability to foresee what the future holds or could hold. (Plé & Chumpitaz Cáceres 2010)

In value co-creation approach, on the contrary, value is defined by the customer. Customer experiences and perceptions are essential to value determination, and value is created in the consumption/usage stage (value-in-use). The company-customer relationship is a set of interactions focused on a series of co-creation experiences, and building relationships drives financial value. Value co-creation may results in unique value often started with spontaneous idea achieved through dialogical interaction. Value is co-created in learning together, and dialog operates as an active interactive process of learning (e.g. Ballantyne & Varey 2008). Customers are in a proactive role and involved at every stage of service development.

In this thesis the term co-design of service is used in order to describe the customer participation in the development and improvement of services.

Co-design of service is an approach in which the customer is viewed as an active and integral component of producing and developing a service. The customer co-designs the service together with the service provider as opposed to being simply the recipient or the end-user of the service produced by the service provider. Thus the customer's role shifts closer to the service provider as he becomes more involved in the development of the service.

There are examples of applying the co-design methodology in the public sector with the aim of bringing the public and the public sector staff together in order to share their experiences, challenges and ideas.

“Together these two parties agree on key priorities, opportunities and areas for improvement. Co-design teams are then formed, made of up service users and services providers who then engage with and use design tools and process like storyboarding, idea generation, future scenario and prototyping, to visualise their ideas and create tangible forms.” (Meroni & Sangiorgi 2011)

2.3 Customer involvement

According to Prahalad & Ramaswamy (2000), when engaged in service innovation together with the service provider customers can contribute their knowledge, skills and experiences. They can also contribute their willingness to share feelings such as frustrations and expectations, requirements and problems with the service provider. Their willingness to learn and experiment is also of high value to the service provider. (Matthing, Sandén, Edvardsson 2004)

Customer involvement can help the service provider in developing a deeper understanding of the customers' needs, especially latent needs, and requirements. It is important to create involvement beyond asking what the customer wants and thinks, or if he has any ideas he would like to contribute. Asking customers these types of questions in, for example, surveys or interviews often brings out little innovative ideas or concepts due to the fact that customers only know what they have lived and experienced, and thus have difficulty of imagining beyond it. One way of overcoming this handicap can be activating customers into problem solving in their own daily lives and environments. When customers are encouraged to design a new service that they perceive as adding value to them their needs are automatically embedded in the service idea. (Magnusson, Matthing, Kristensson 2003)

Alam (2002) has developed a framework consisting of four key elements which describe different types of user involvement:

- *Objectives/purpose* - Why are users involved in (new) service development?
- *Stages* - Where in the new service development process are users involved? 10 stages: strategic planning, idea generation, idea screening, business analysis, team formation, service and process design, personnel training, service testing and pilot run, test marketing and commercialisation
- *Intensity* - How intense in the involvement?
- *Modes of involvement* - How is information obtained from the users?

User involvement can help a company or organisation in developing a better and differentiated new service that meets customer needs. Involving users and making them innovators can also be useful for the company as the users can spread information and educate others regarding the specific attributes of the new service. They also help managers reduce time spent on service development as they participate in the process. Not least of

value, user involvement can help improve the public relations of the company, create loyalty and thus, help maintain long-term relationships with customers. Different modes of user involvement can range from brainstorming to focus groups and from phone/fax/e-mails to face-to-face interviews. Also in-depth interviews, focus group discussions and user meetings can be applied. (Alam 2002)

Furthermore, Lusch et al. (2007) have identified six factors that contribute to the extent to which the customer is an active participant in the co-production of a service offering: 1) expertise - customers are more likely to co-produce a service if they possess sufficient skills and expertise, acquired by themselves or facilitated by the service provider, relative to the service object; 2) control - when customers wish to be in control of the service process or outcome they are more likely and willing to engage in co-production; 3) physical capital - providing the customers the required physical goods they may need for a successful service experience, 4) risk taking - physical, psychological and/or social risk-taking involved in service co-production; 5) psychic benefits - customers often engage in co-coproduction because they enjoy it and gain a pleasant experience; and 6) economic benefits - customers are more likely to participate in service co-production when they perceive economically or for example time wise beneficial. (Lusch et al. 2007)

Some of the barriers in involving customers in the service design or innovation process have to do for instance with the difficulty of internal processes and structures within the organisation. The organisational culture does not always enhance or even enable such activity. Also, it may be challenging to identify an appropriate set of customers, create incentives for them to participate and finally find the means to capture their knowledge. It is not an easy task to identify customers' latent needs as those are often the kinds that customers when asked are not able to identify or express in words. Interviews or surveys are not enough to access this type of information. Sometimes customers' ideas are triggered by sudden experiences or situations for example in their daily lives. (Matthings, Sandén, Edvardsson 2004) Thus, other methods such as those of service design can be useful. Some examples could be for example user diaries and other tools which allow for recording or expressing of thoughts and ideas regardless of time or place. In Figure 2 various tools are listed.

2.4 Service design

Gummesson (1995) has stated the following: “Customers do not buy goods or services. They buy offerings which render services, which create value...activities render services, things render services.” (Service-Dominant Logic 2011)

Service design is an interdisciplinary approach, combining methods and various tools from many disciplines. A new way of thinking as contrasted to a new academic discipline. It is an evolving approach and there is not a one, common definition for it. These following are few of the most acknowledge definitions of service design. (Stickdorn 2010)

Due to the fact that service design is a combination of tools and methods, with various fields of application, there are many different ways to define it. It is difficult to find one, comprehensive explanation or definition for it.

The Copenhagen Institute of Interaction Design (2008) defines service design as a cross-disciplinary practice which combines various skills in the fields of design, management and process engineering. According to the Institute, services in general have been around in different forms for a long time, nevertheless, services designed with a purpose and which integrate new business models are bringing new socio-economic value to the society as they are concerned with true customer needs. Thus, the Institute states that service design is highly important in a knowledge driven economy. (Stickdorn 2010)

Mager (2009) describes the aim of service design “...to ensure service interfaces are useful, usable and desirable from the client’s point of view and effective, efficient and distinctive from the supplier’s point of view.” (Stickdorn 2010)

Different types of design techniques are used when carrying out a service design project. These techniques can include thorough customer research, collaborative idea generation, and early stage prototyping and testing among others. This strategic project has the objective of designing services that are constructed based on the actual needs of customers, and that are future oriented and cost-effective. Service design is to make the delivered service useful, usable, efficient, effective and anticipated. It is not intangible or a feeling given to customers or users, but actual things called touch points. Service design helps to identify problem areas and generate ideas for improvement; it may redesign products or processes to improve the way they allow customers to interact while they use a service. service design can also be used to Design spaces so that they deliver a service more efficiently, create printed material, websites, uniforms, adverts and other branded things that allow providers to better communicate what the service is all about. (Design Council 2010)

In Figure 1 below, important aspects of service design such as observation, idea generation, prototyping and understanding economic possibilities and limitations are illustrated.

Important aspects of service design

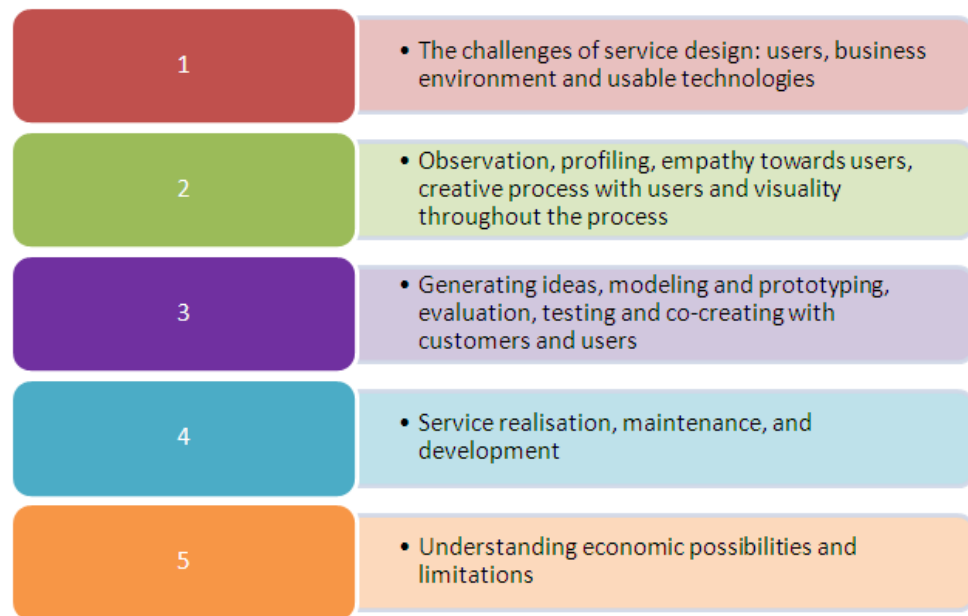


Figure 1: Important aspects of service design (Miettinen & Koivisto 2009), Picture (Ahvenainen 2011), modified and translated from Finnish

Stickdorn (2010) has identified five principles of service design (see Table 3 below). All principles are described in more detail in the paragraphs to follow.

Table 3: 5 Principles of Service Design thinking (Stickdorn 2010)

1. User-centred: Services should be experienced through the customer's eyes
2. Co-creative: All stakeholders should be included in the service design process
3. Sequencing: The service should be visualised as a sequence of interrelated actions
4. Evidencing: Intangible services should be visualised in terms of physical artefacts
5. Holistic: The entire environment of a service should be considered

The first principle is the User-Centred principle. To deliver a service, some customer participation is necessary. Services are created through interaction with customer and service provider. The intention of a service is to meet customer's needs and hopefully the result will be that the service is used frequently and recommended forward. Statistical customer facts are important, but true understanding of customer's habits, culture, social context and motivation of users is crucial. Customers need to be put into the centre of service design process and this in turn requires a genuine understanding of the customer, not only statistical

facts, but empirical analyses of their needs. Authentic customer insights include the application of methods and tools that enable the service designer to deeply understand people's individual service experience and its wider context. Various service design tools are listed in Figure 2. In this figure some tools are mentioned in writing and some has a picture included to make them clearer e.g. personas and mind map. The list of tools is not exclusive, but gives an understanding of the magnitude of available tools. All people are customers, but with different needs and mindsets. To understand these separate mindsets is where service design thinking begins.

By providing a service requires more than just various customer involvements, thus the second principle is called Co-creative principle. It demands consideration of several stakeholders, e.g. frontline staff, back-office employees, managers, as well as non-human interfaces such as vending machines or websites. In service design process one need to involve customers as well as other stakeholders in exploring and defining the service proposition. One needs to involve all different groups in the process and to be creative. Service designers generate an environment that facilitates the generation and evaluation of ideas within heterogeneous stakeholder groups. There exist a large variety of different methods and tools in order to gain genuine insights from different user perspectives in the creation of services for development, prototyping and testing of service concepts (various tools can be found in Figure 2).

The third principle is Sequencing. Service design thinking uses the analogy of service as a movie or theatrical play, where the movie consist a series of static pictures to be combined to create a moving sequence, when deconstructing service process into single touch points and interactions. When touch points are combined a service moment is created. These interactions take place in human to human, machine to human and even machine to machine interactions and can also occur indirectly via third parties eg reviews from other customers, or via print or inline media. Service process follows three step transition of pre-service period (getting in touch with a service), the actual service (when customers experience the service) and the post-service period.

The fourth principle is Evidencing. Physical evidence or artefact like e.g. souvenirs can trigger the memory of positive service moments, therefore, trough emotional association; continue to enhance customers' perceptions of the service they have received. Service evidence can prolong service experience beyond the service period far into the post-service time. When utilised effectively, it has the potential to increase customer loyalty and for customers to recommend the service forward. Evidencing can occur in many forms such as bills, mail, email, brochures, signs, souvenirs or other products. All these add tangible element to what

would otherwise have been intangible experience. The service evidence needs to be designed in accordance with the service story and its touch point sequence.

Even though services are intangible, they take place in physical environment. Customers for instance perceive the environment with all of their senses, they hear, see, smell, touch, and taste the physical manifestation of services. Thus, the intention when designing services should be as holistic as possible, to see the wider context in which the service process takes place, the fifth principle is called Holistic principle. On individual touch point and service moment level the focus should be on the environment where the service takes place. The conscious awareness of what customers' might sub-consciously perceive can have a profound impact on the service experience itself. At service sequence level there should be alternative customer journeys. There are always many alternative touch points which need to be taken into account. Sequences do change and they need to be repeatedly reappraised from various perspectives to ensure good customer experience. Thus it is vital to map the mood and feelings of all stakeholders throughout the service journey. At the service provider level the focus should be on the organisation and employees. The system design of an organisation, its unique culture, values and norms as well as structure and processes are vital issues for the service design. Disparities between the corporate identity embodied by the organisation's management and employees and corporate image perceived by the customers must be cleared. This can help to promote the service mindset in the organisation and to clear out the importance of employee and customer motivation. All in all service design thinking promotes the co-operation of different disciplines towards the goal of corporate success through better customer experience, employee satisfaction, and integration of new technical processes in pursuing corporate objectives.

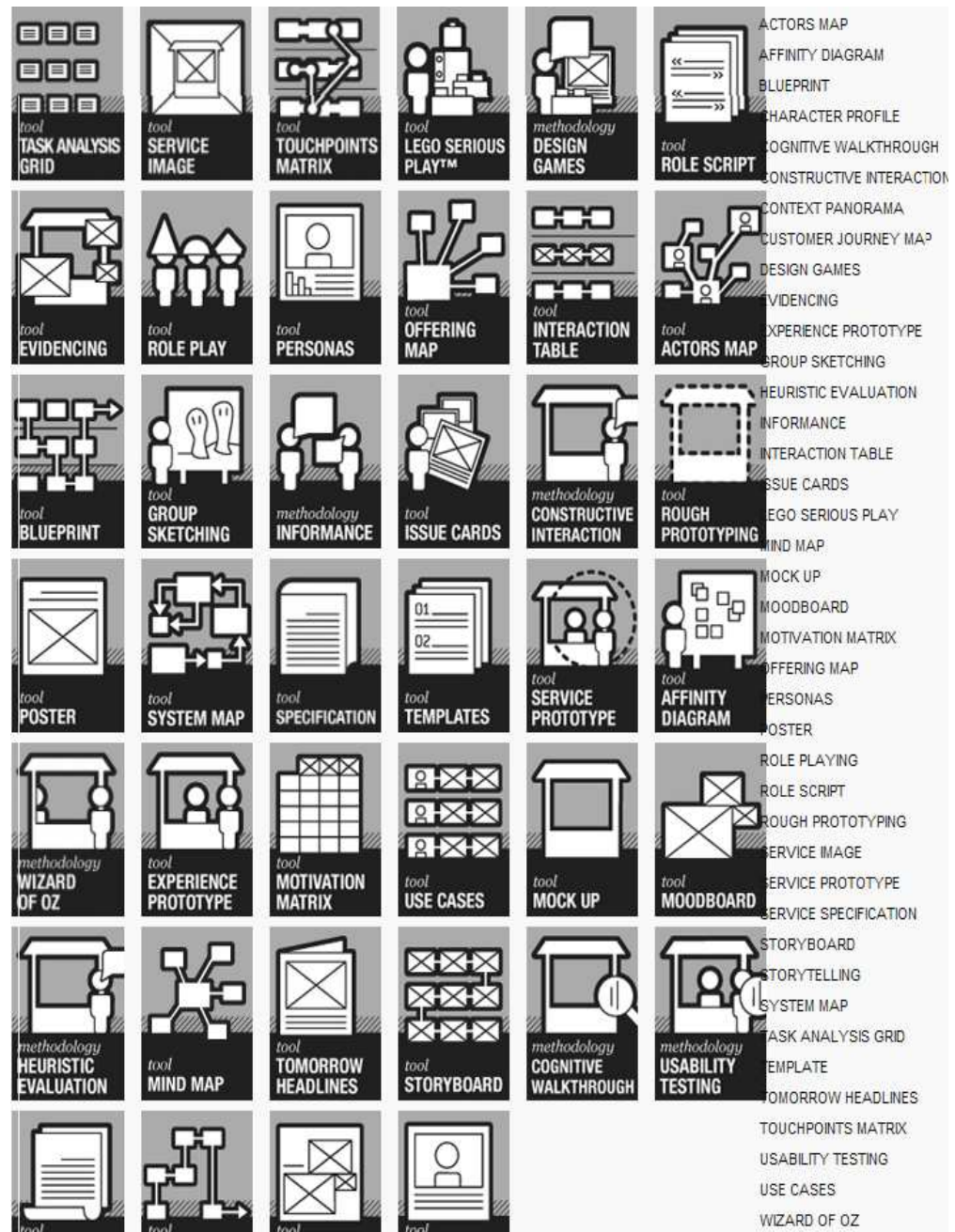


Figure 2: Service Design Tools (Mindtools 2011)

2.5 Organisational change management

There can be no doubt that change is consuming business and society in these days. Mergers and acquisitions, downsizing, rightsizing, reorganisation, realignment, redeployment, restructuring, re-engineering, corporate reinventions, changing strategies, new cultures, the options of change continue to grow as companies work to find ways to respond to new competition and changing economic realities. (Morin & Lewis 1995)

When change is not managed effectively, the decline is normally immediate, steep, and substantial as problems cut deeper into the organisation and last longer than leaders expect. In the worst case, the deterioration is irreversible and organisation never fully recovers. (Morin & Lewis 1995)

According to Conner (2006), the way people relate to change reveals a great deal about why some people succeed and some fail at sustaining major change. Those of us who see change as something that either happens or does not happen seem to be vulnerable to future shock. On the other hand those people who have fewest problems during change appear to be protected to some extent by the fact that they approach it as an on-going process. People who adapt more slowly than the pace of change do so partly because they have a low tolerance for ambiguity and thus they generally perceive life in binary terms: yes or no, black or white. Resilient people tend to avoid the limited binary view of change. They see major change as a fluid phenomenon, an ice cube melting and re-freezing. In today's fast pace society, re-freezing to a permanent state is not very likely. Most of our time will be spent in transitions, not stable states. To understand how we live in a constant state of between and process, we must view transitions as consisting of periods of leaving from something, periods of re-ordering or reconstruction and periods of going to somewhere, even though the goals are constantly moving (Conner 2006). Figure 3 below illustrates the change process, from the difficult present state through transition phase towards the desired outcome.

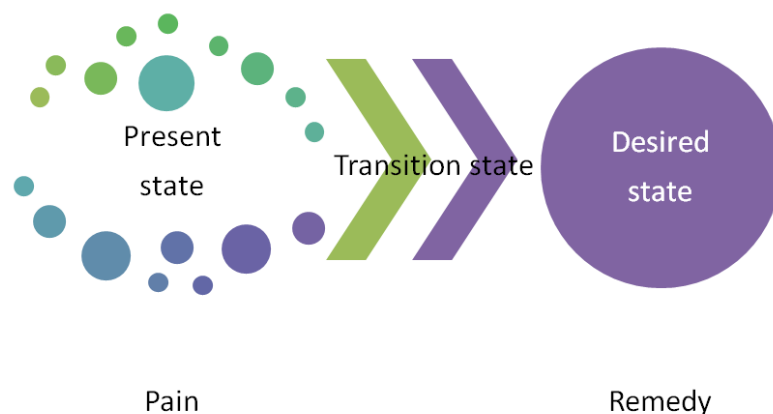


Figure 3: The Change Process (Conner 2006) modified

People are individuals before they are managers or employees, when connected with change, people tend to self-select into one of three groups. Approximately 20 percent tend to be

Innovators, who embrace change naturally and are anticipating it. Another 20 percent form a Status Quo and these people find it extremely difficult to adapt to change and some are simply unable to complete transitions. The remaining 60 percent are in the middle of the organisation and are the Adapters. They can be further divided into Early, Middle and Late Adapters, these refers to the relative ease with which they deal with change. Transitions are more or less benevolent events for early Adapters, whereas Late Adapters have considerable trouble completing them. They differ from Status Quo in that while it may be difficult for them they do have the capacity to complete transitions. (Morin & Lewis 1995)

Organisations transform due to the fact that people that work in them embrace change and thus, alter their behaviour to accommodate it. The organisation cannot completely change nor can the benefits of change be fully perceived until the persons forming the organisation have each gone through their personal change processes. The process of change requires a great deal of support to be provided to the people going through the change. Aspects such as realigning the processes and structured of the organisation can be easier to manage than the transitions that individuals of the organisation go through. The change process can be very hard to take in by the personnel and it is important to try to provide all necessary help and support for them. The better this process is managed, the faster the organisation will see the results of change and find it successful. (Morin & Lewis 1995)

The Change Curve (illustrated in Figure 4 below) is a well-established model which is often applied in order to gain insight into the different stages of personal transition and organisational change. The change curve also supports organisations to comprehend people's reaction towards change and they can thus, help employees in their change paths. Psychiatrist Elisabeth Kubler-Ross has studied people's attitudes and behaviour in cases of grief and illness, and these findings form the basis for the change curve. In the change curve, four different stages can be identified, which most of the people go through as they react towards the change. These stages can be seen in Figure below. (Mind Tools 2011a)

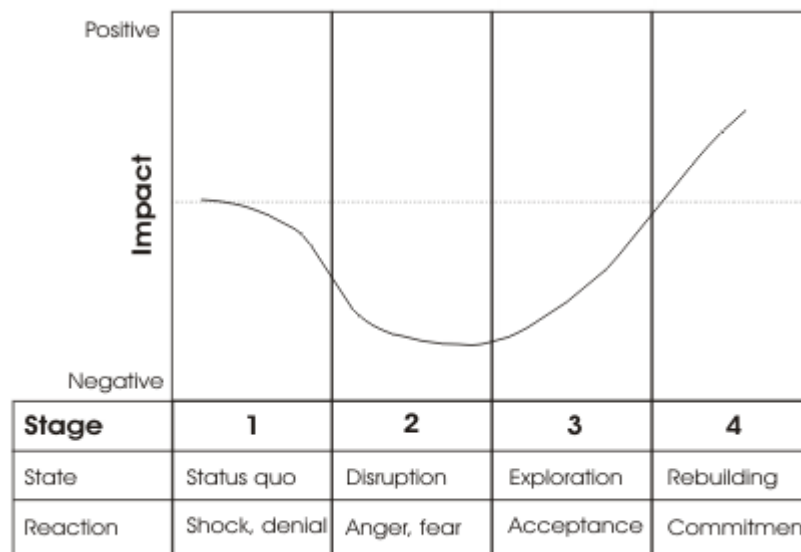


Figure 4: The Change Curve (Mind Tools 2011)

When change is introduced and the state of status quo challenged, people tend to be shocked and in a state of denial. This is the initial, stage one in the change curve.

When people understand that the change is a reality, generally negative feelings start to emerge as they move to the stage two in the curve. In this stage people may fear the impact of the change, get angry and actively resist or even protest against the occurring changes. Because all the effects of the change are not known, employees do not know how the change will affect them. For some people the change is a real threat e.g. there might be extensive lay-offs coming or acquired special skills might be useless in the new situation, but for other people the change might bring e.g. a promotion. Nevertheless, it is too early for the people to understand the whole impact of the change. All of this brings disruption to the organisation, which needs to be addressed. If not carefully managed, there is a possibility that this kind of a disruption can create dysfunction to the whole organisation. For the time period when people are in stage two of the change curve and resist the change, the change will not happen. This stage is very stressful and unlikable for all parties involved, and it would be better to proceed towards stage three on the curve. In stage three pessimistic feelings and overall resistance start to ease and give space for optimism and general acceptance. (Mind Tools 2011a)

In the third stage people start to be more accepting towards the change. They do not solely see what they have lost, instead they try to see what is there to be gained. This happens through testing and exploring; what these changes mean, what can be learned and what is good and what not so good in it, and how should they adapt. (Mind Tools 2011a)

At stage 4, people come to terms fully with the changes, when they are committed and have changed their working habits. It takes a long time and only in this phase can the organisation receive and see the paybacks of the change. (Mind Tools 2011a)

These different stages are also illustrated in Figure 5 below, where the change is divided into three stages. If compared to the change curve above, the “moving on” part in curve below equals to the stage four in the other curve.



Figure 5: The Change Curve (Soot and Ashes, 2009)

The change curve can help organisations to plan the whole change process in advance. The negative effects of change should be planned so that the (negative) impacts would be as little as possible and people should be helped to adapt as quickly as possible towards it. The aim should be to make the curve shallower and narrower, as illustrated in Figure 6 below.

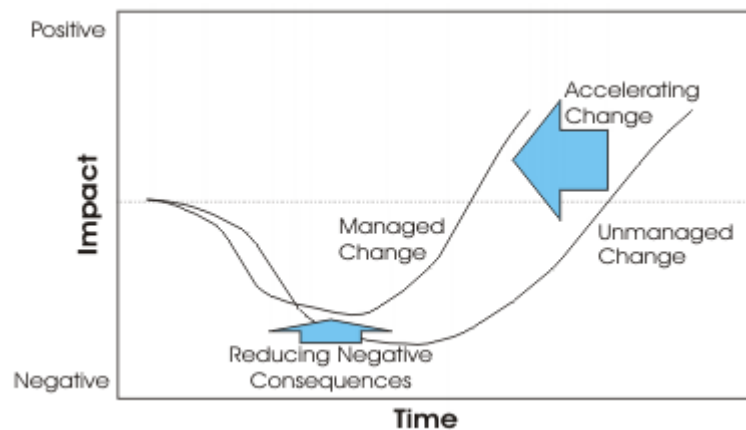


Figure 6: Using the change curve (Mind Tools 2011)

When understanding the change curve one should use the knowledge and to give people the information, support and help they need, depending on the stage they are in. All this will make the change faster and increase its success.

There are different kinds of actions the organisation can take in order to succeed in the change. At the first stage people's reactions are shock and denial. This stage always happens, even though the change has been planned and people understand what is happening. In this stage the change is becoming a reality and people need to start to adjust. In this stage the most important thing is information. People need to understand what is happening and how and where to get help if needed. People are able to absorb a certain amount of information at a time, but they should know from where to receive more information when needed, and it should also be possible for them to pose questions and receive answers. (Mind Tools 2011a)

In stage two, people start to be concerned, angry and afraid. Change can be resisted either actively or passively, and some people need to express their feelings more openly. If this stage is mismanaged, the results can be catastrophic for the organisation. It is often impossible to foresee and plan everything in beforehand because reactions to change are personal and can be very emotional. One has to make sure to listen and observe carefully during this stage, in order to be prepared for the unforeseen. (Mind Tools 2011a)

Once proceeding towards stage three, the person and the organisation start to come out of the critical phase. When people's acceptance grows, they are able to test and explore what the changes actually mean for them and what benefits they might bring. This stage will be easier with guidance, support and with enough time because learning and final acceptance requires it. (Mind Tools 2011a)

The stage four is the desired stage. In this final stage people start to be committed and accept the new way of working. Productivity and efficiency grow as people are confident in what they do and see the reason why the change happened. It is becoming more of a normal way of working compared to the old way of doing things. By celebrating the achievement with all employee groups, one establishes a success story, which will positively help in the future. (Mind Tools 2011a)

3 Development process

The purpose of the empirical research was to study how customers could be involved in service co-design together with the municipal sector service providers in selected cases in Finland. The development target or the central case of the study was the city of Lohja early education services unit's parent workshop project. The workshop project formed part of a larger project called "Boost for the service processes " which was financed by TEKES - The Finnish Funding Agency for Technology and Innovation and had Laurea University of Applied Sciences and VTT - The Technical Research Centre of Finland, as partners. The project had the purpose of developing the city organisation's service processes and incorporating customer involvement in them; encouraging the city of Lohja's customers to improve, create and design services together with the city, so that they would better match their needs meanwhile contributing important information and feedback to the city organisation. One important element of the project was also to find out how electronic services could be incorporated into the city's internal and service processes. The aspect of electronic services was not the focus of the case studied in this thesis however, it was present in the Lohja project.

In order to gain insight into what other methods than workshops have been applied and in what other ways customers of municipal services have been involved in the co-design of services in Finland, four benchmark cases of cities/municipalities around Finland were selected. All benchmark cases were from the field of early education or children's services. These cases were selected based on thorough desk research and they were chosen based on their level of relation to customer co-design and relation to the same public service area. All benchmarked cases met the criteria of providing a public service administered by the municipality or city, and applying the principles of co-design and service design in their projects in question. This commonality helped to compare the cases and methods but was by no means a restrictive element when it comes to researching service co-design methods. It is also noteworthy to state that the focus of the research was not on the content on how to improve the specific services of the benchmark cases but on the methods and processes applied by the different cities and municipalities in involving their customers in co-designing

services. The benchmark cases were examined in order to find out what kinds of experiences with customer involvement and service co-design had already been gained in the Finnish municipal sector, reflecting them to the Lohja project.

In addition to the information and insight gained from the Lohja project and the benchmark cases, the research was complemented with expert interviews with representatives of the Association of Finnish Local and Regional Authorities and customer interviews. The representatives from the Association of Finnish Local and Regional Authorities were chosen for the expert interview, because they were able to provide a holistic view of the Finnish municipal sector and because their role is to support and encourage municipalities to join their pilot and development programs. For the customer view, a random sample of parents were selected and interviewed in order to gain understanding as to whether and how they would like to become involved in service co-design with the city/municipality.

Based on an analysis of all of the data collected, including theory and insight gained, the overall purpose was finally to develop a process model for customer involvement and service co-design in the municipal sector.

The development process, illustrated in Figure 7 below, includes all of the stages of the empirical research carried out in this thesis, starting from the internal and external workshops and workshop observation of Lohja; followed by the four benchmark cases of Mikkeli, Helsinki, Tampere and Oulu; the expert and customer interviews; and concluded by the outcomes of the empirical research.

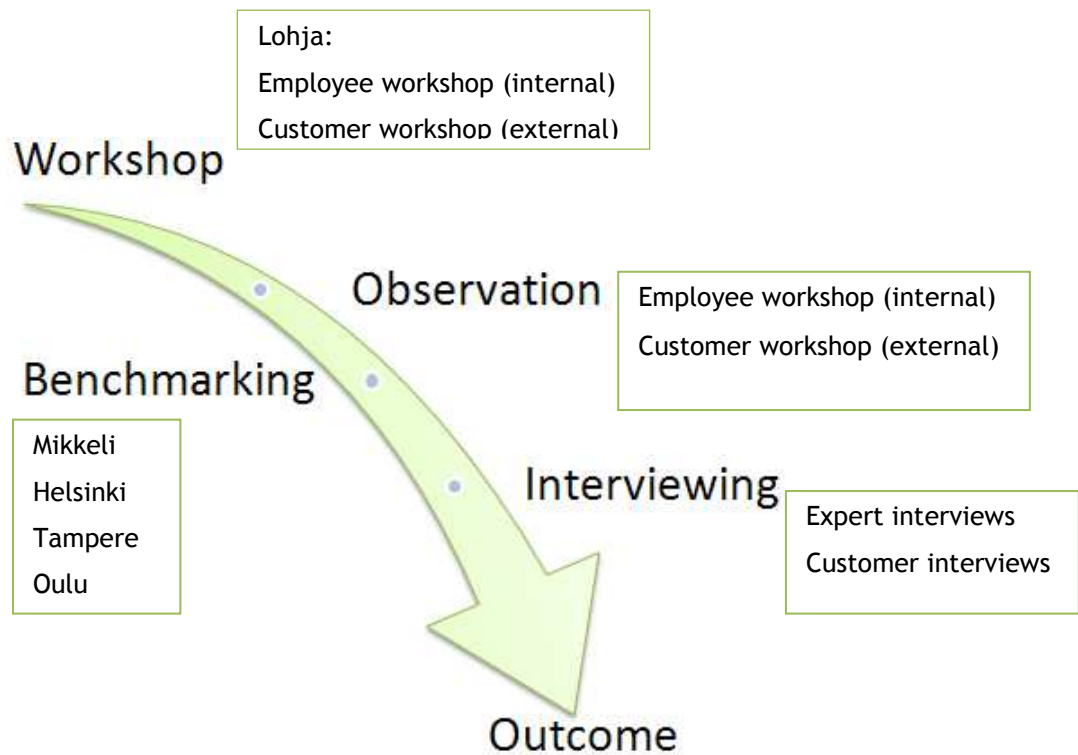


Figure 7: Development process

In this section the central case of Lohja is first described. Then all of the above mentioned research methods are defined from a theoretical viewpoint followed by descriptions of the empirical research carried out in each phase. The phases are merely described in this section, not yet analysed. The analysis will follow in section four.

3.1 Lohja case

The early education services of the city of Lohja consist of all services related to early education, meaning all different forms of public day-care for children, from the traditional kindergarten to family day care services. Lohja is a bilingual city so there are day-care services provided both in Finnish and Swedish. The majority of the early education service unit's customers are families who have children in the different kindergartens of the municipality. The service unit is divided into five geographical areas: Harju, Anttila, Järnefelt, Northern Lohja and the Swedish speaking area.

With regard to the existing service concept of the early education unit, the city has grouped together the services related to families with children under a “service basket” (illustrated in Figure 8 below). The service basket accessible on the city’s website gathers together the different service areas that are of interest to families with children, for example: wellbeing, youth, games and hobbies, school, subsidies, parenthood and early education services. Customers are able to find a variety of information in the same “basket” without having to look for it in a number of sources. Some transactions related to these services have been enabled electronically so that for example electronic forms can be used. (Lohja 2010)



Figure 8: Service basket for families (Lohja 2011)

The project “Boost for the service processes” of the city of Lohja had as one of the concrete focus areas the early education services unit in which the objective was to set up workshops with customers, parents, in order to generate ideas, hear directly from the customers how they experience the early education services, how the service could be improved and find ways to involve the customers more in the service development. Using workshops with the customers as the service co-design method was a choice made by the city decision makers. The idea did not come neither from the customers nor the employees working day-to-day with the customers.

Two types of workshops were designed and executed: firstly, an internal workshop for the personnel involved in the parent workshop project, and secondly, an external workshop for the customers. Data was collected in both phases of the process and also additional feedback was requested from the personnel involved after the first workshops in order to gain an understanding of their first experiences.

3.1.1 Owela web platform

One element of the Lohja project was to find out how electronic services could be incorporated into the city's internal and service processes, and it played a key role also in the early education unit's parent workshop project.

VTT, a partner of the city of Lohja in their service development project, has developed an electronic platform or a social networking tool, Owela, which enables idea creation, communication and processing between an organisation or a company and its customers or service users either in an open or a closed or limited environment, depending on the subscriber's preferences. Owela is an online space for open innovation for users, customers, developers and other relevant stake holders. It provides tools for understanding users' needs and experiences as well as enables designing new products and services together. The Owela project spaces may be used as a co-design space from the first ideas until some final product testing or only in selected phases of the innovation process, for example from one week to a few months. The project spaces can be either public or limited to certain user groups. (Owela 2010)

The Owela portal was utilised in the city of Lohja early education unit's parent workshop project. In fact, the Lohja case was one of the first times Owela was used for public sector service co-design. The idea was to bring the ideas arisen in the workshops to the electronic portal for a larger group of customers to see, comment on and develop further. In practice different topics related to the childcare services can be openly discussed and developed further in the web portal. This tool in addition to person-to-person meetings with the parents is considered a viable tool in co-creating services as it offers the convenience of not having to physically come to a meeting and being able to use the portal from home or work. It is also very time-efficient and this is very important as the target group is parents of small children whose free time is typically limited. Also, this target group is quite computer-savvy and accustomed to using the internet and social media tools. Prior to the project the city of Lohja already offered certain online services in relation to this customer group. Parents have been able to find information about the different day-care centres, their services and different

options on the city's website. The information is gathered as a "service basket" mentioned above in which all information related to this segment can be found in one place.

The Owela community (see Figure 9 below) provides an innovation platform for different stages of the innovation process, these stages can be for example developing new innovations based on customer needs, testing early service concepts and developing them further with users, testing and developing prototypes, evaluating existing services or conducting marketing and consumer research. The platform can also be combined with other user-centred design methods and utilised also as a communication channel between face-to-face studies. User research can be done either publicly or only for a confidential user studies, in restricted environments. Special versions for example for different language versions are easily arranged. Many user-friendly and interactive elements are incorporated into the platform, such as discussions, commenting, enquiries, idea forum, chat and gallups. (Owela 2010)



Figure 9: Owela portal (Owela 2010)

3.2 Workshops

Well planned workshops can be valuable for all involved parties. However, they require thorough planning. Workshops are a good method for brainstorming, interactive learning, building relationships, and problem solving. There are several ways in which workshops can be carried out. One set of guidelines for building an effective workshop is presented in Table 4 below.

Table 4: Before the workshop (Mindtools 2011b)

Step 1	Define the goals: a workshop must have a goal, without it there is no point in organising it.
Step 2	Decide who will attend: this relates directly to the objective; make a list of people, try to be as specific as possible, leave room for last minute changes.
Step 3	Choose the right location: think about the size of the group, do not use too large or small venue. Think about the logistics and practical details, e.g. will everyone see the visual aids? Technology: will the location support your technical standards. Are break-out rooms needed; is it reachable? Catering possibilities.
Step 4	Create an agenda: create an outline of how you'll achieve the workshop goal, the more detailed your plan, the more you'll ensure that your workshop will run to schedule and be successful.
Step 5	Develop a follow-up plan: effective follow-up will tell whether the workshop was success or not. Create e.g. feedback form, give participants opportunities to share their opinions on how well event went, it is important to know so you can develop for the next time. It is also important to plan to communicate the decisions that were reached during the workshop. People need to know that the work resulted in a decision or action and you need to keep them informed about what's happening after the workshop has ended

Getting all people involved is the key to a successful workshop. If one only talks for hours, it is a lecture, not facilitating a workshop. Everyone should participate. Nevertheless, many people are nervous about speaking in an unfamiliar group. If planning a group exercises, keeping the size of each group small helps people to be more comfortable talking and interacting. Mixing up different types of people in each group and encouraging people to interact with other departments, or nationalities can lead to looking things from different perspective. It is important to determine how to record the ideas from each group, should participants shout them out while one writes them down, or will they write down their own ideas and then give them to facilitator. If there are five or fewer groups, spending time and allowing the entire team to evaluate ideas from each smaller group, is a good way to narrow down the list of ideas, and let the good ones stay. In Table 5 below, overall tips for good a good workshop are detailed. (Mind Tools 2011b)

Table 5: Overall Workshop Tips (Mindtools 2011b)

1. Selection of the facilitator
2. Creating comfortable environment for the workshop
3. Providing introduction for the topic and identifying needed participants
4. Planning the scheduling for the workshop(s) so as to suite participants productivity flow
5. Selecting the right people for the workshop(s) and controlling the number of participants in order to enable effective decision making

3.2.1 Internal workshop

Prior to organising the customer workshops the early education unit of the city of Lohja held a meeting to which leaders of all the five early education regions of the municipality were invited to in addition to representatives of partner organisations of the project, VTT and Laurea. The purpose was to discuss the project, the practical arrangements of the workshops and different co-design methods. In this meeting specific service design methods were introduced to the region leaders who then chose the ones they would use in their own workshops with the customers.

The following service design methods, selected mainly from the IDEO method cards, were presented:

“brainstorming”, “100 ideas”, “customer path”, “negative idea generation”, “role play”, “mood board”, “narration”

Brainstorming refers to the activity of developing a great number of ideas with a group of people. In a brainstorming session participants are encouraged to create ideas, even wild ones, and they should not be criticised. The objective is to generate a large number of ideas and record all of them. Usually there is a specific topic as a target of the brainstorming session, and often the ideas generated by the group build on one another. The brainstorming group can also include participants with an expert or outside perspective in order to inspire the session with novel ideas. A brainstorming session must always be facilitated so as to make sure that rules are respected, so that all ideas are recorded and so that timing is managed. It is also important to hold the session in an encouraging and positive atmosphere. (Moritz 2005)

The 100 ideas is a powerful technique used to generate ideas, clarify thoughts, uncover hidden problems or get solutions to any specific questions in interest. The technique is very simple in principle; one has to state the issue or question at hand and come up with a list of one hundred answers or solutions to it. The high number of ideas i.e. 100 is exactly the exaggeration that makes the technique powerful. When starting the list one may believe that there's no way to ever get it done. But then, at some point during the process, the subconscious mind should naturally be engaged in the process and that is when the mind will uncover many new and surprising answers, and ideas will start flowing again. (Litemind 2011)

Customer Path analysis provides an in-depth understanding of who customer is, their purchase motivations, and how to help customers make progress along the journey based on the response hierarchy models e.g. AIDA (Awareness - Interest - Desire - Action). Customer Path analysis considers in each of these stages how to interact with the customer, what marketing channels and messages to utilise, and what kind of communications is needed. (Wearing the Hat 2011)

Negative Idea Generation process turns the situation upside-down and the point is to generate ideas for new, opposite situation. First the challenge should be presented eg. What would be the best possible holiday like? Then this should be formulated into a negative problem i.e. What would the worst possible holiday be like? After generating negative ideas, these should be transformed into positive ones. Many negative ideas should be combined so that it is possible to generate a single positive solution. (Robertson 2007)

In role play the entire user experience is acted out through important roles in the user's experience with the product or service. The customer journey should be acted as authentically as possible and one should focus on own intuitive responses to the situations. Afterwards one should reflect on what has happened, how the situation felt and what kinds of responses were given to respective situations. The role play aims to provide answers to what could be changed in order to improve the user experience. (Robertson 2007)

Moodboard is a collage of several different pictures and materials and it is used to illustrate a specific mood or atmosphere. It brings together images that translate into an impression. The purpose of the moodboard in the service design context is to represent and describe the feeling or mood of service experience. It can also be used to describe the overall mood of the environment in which the service takes place. This service design tool is often used to facilitate translating service values that cannot be otherwise described or expressed verbally. (Moritz 2005)

With the narration technique user is asked to talk interviewee through the experience. Customer should not be asked direct questions, or to be traditionally interviewed, but they

should be given a product or service and asked to describe aloud what they are thinking when they use it. (Robertson 2007)

Once the methods were chosen an internal workshop was arranged for the personnel, the region leaders so that they would be able to rehearse the chosen co-design methods in practice prior to using them in the customer workshops which would follow. The methods selected by the leaders were “100 ideas” and “negative idea generation”. In the two-hour workshop each leader had the opportunity to try the method in practice and the group discussed the different elements and objectives of the exercise so that they would be prepared to lead their own workshops with the customers. As a result of the workshop each region leader chose to use the same method in their customer workshops: 100 ideas. A set of guidelines regarding how to facilitate the workshop with the method “100 ideas” was provided to the leaders (see Attachment 1).

3.2.2 External workshop

The purpose of the customer or external workshops was to invite customers, parents, to participate in workshops organised by their own city region’s day-care service leaders, thus their service providers. The objective of the workshops was to enhance idea generation carried out by the customers, hear their opinions and experiences regarding the current status of the service and gain information on how the service could be improved. This was to be carried out in the workshops through different kinds of service design methods. In addition to the workshops the customers were presented and invited to utilise the Owela social media platform on which they would be able to continue idea generation and the discussion of the concepts brought up in the workshops. The purpose of the social media application was to reach a larger number of customers than just those who chose to participate in the actual workshops. The overall purpose of the workshops and continued discussions on the Owela platform was to generate and process ideas and concepts that would then be taken to a higher level in the city organisation, such as city council, so that they would become established improved practices in the service unit.

In practice the day care services region leaders invited the parents of his/her area to the workshops. Most regions sent out a printed invitation to the parents a few weeks prior to the scheduled meeting (see the invitation in Attachment 2). E-mail was also used in this process. The number of parents who participated finally in the first round of workshops was fairly low, ranging from three to more than ten parents. The number was so low in some regions, in fact, that it was questionable whether it would be sufficient for an efficient workshop. A total of five workshops were organised between November 2010 and February 2011.

For the purposes of this thesis, the first two external workshops were observed by the researchers. Data was collected by taking notes at the workshops. The notes were then analysed by the researchers and the key findings of the observations were identified. It was important to identify the key aspects of the workshops as they would contribute to the development of the process model which was the objective of this thesis. The data collected at the workshops helped to provide an understanding as to how customers reacted to this type of co-design activity, how they behaved and what kinds of opinions or concerns they expressed regarding this type of events. In sight of this study, it was also very useful to gain insight into how the city personnel who facilitated the workshops dealt with the task of facilitating such co-design workshops and how they interacted with the customers. All of this data contributed to the final process model developed as a result of this thesis.

3.3 Observation

Observation forms an integral part of customer fieldwork and it is a powerful tool in researching and understanding customer behaviour as researchers can study as outsiders the different behaviours consumers portray and see things that the customers themselves if asked might not even be able to identify as something noteworthy or to communicate it. Valuable insight can be gained by observing the interaction and relationships between customers and their chosen products or services. Observational researchers carry out research by watching consumers in for example buying situations or service transaction situations in order to gain deeper understanding on the symbolic meaning the product or a service has in the consumer's eyes and the bond the consumer has with the product or service experience. Observation research can be participative (participant observer research) or field observation. In field observation the researchers are non-participative outside observers who observe the behaviour of a sample of people from a specific society or group with the purpose of gaining a deeper understanding of their patterns and motives of behaviour. Based on the observations conclusions can be drawn which can reveal interesting data related to the values, customs and beliefs of the specific group. Field observation as the name implies, is carried out "in the field" hence, in consumer situations usually in stores, shops or other places where products or services are purchased or consumed. (Schiffman et al. 2008).

In observation it is very important for the researchers to be able to separate their own feelings, assumptions and emotions from their observation target and task. This allows the researchers to deem the position and perspective of the observed person and see the world, the product, the service experience from his viewpoint without subjective personal interference. It is essential that the observation research not be interfered by the researcher's own subjective and impressionistic views. Instead the researcher must be aware

of and eliminate bias and be systematic and open about the observation procedures and allow for the conclusions drawn from the observation to be openly analysed by third parties in order to verify objectivity. (Hannan 2006)

In the observation situation the researcher can be participant or non-participant. Exercising the role of participant brings about a certain amount of power which inevitably affects how others perceive him and how he perceives the others. Thus, as a researcher it is important to be aware of or monitor how the observations may be influenced by his own participation. This type of influence on the observation results can be controlled or limited by for example allowing others to review the observations and interpretations or even presenting the field notes and analyses to the participants in order to verify their accuracy. (Hannan 2006)

Observation is often used as a service design tool. Observation in service design contexts can occur by watching and observing the targets in person or, for example, through a video camera lense in which case the gained material can be analysed later. It is a useful method for learning how customers use a certain service or how they act in a specific service situation. For the observer it is very useful if the observation is based on certain objectives or specific questions which facilitate analysing the results and drawing up conclusions. (Moritz 2005)

The key objective of observation is to understand the reality of what the observation targets do rather than what they say they do, and to gain insights for the service design process. Observation practices can vary from very general situations to very specific experiments or tasks. The observation method is often used together with personal interviews. (Service Design Network 2011)

3.3.1 Workshop observation

The observation method was used in the external workshops of the development process of this thesis. The workshops were observed with the purpose of studying two main areas. On one hand, and most importantly, the customers were observed; how they reacted to the workshop situation, how they behaved, were they active or inactive in the workshop, what kinds of ideas they generated and how they interacted with each other and with the facilitator. On the other hand, and to a lesser degree, the facilitator was observed; how he or she directed the workshop and interacted with the customers. Data was collected in two workshops in November 2010.

3.4 Benchmarking

According to Stapenhurst (2009), there is no one right method to benchmark. Nevertheless, there is a benchmarking process that most benchmarking studies follow. There are many useful benchmarking methods, but it is important to use the most appropriate method to achieve the objectives of one's own project or work. The titles of the different types of benchmarking give an idea as to what kind of research is being carried out. The differences between the methods often depend on the viewpoint of the researcher. Stapenhurst has pointed out seven different types of benchmarking. Public domain benchmarking is used when the benchmarker collects data which has been published in public sources e.g. consumer magazines or newspapers. One-to-one benchmarking is the most common benchmarking method presented and discussed in books regarding benchmarking. It is a method in which, as the term implies, one participant visits one other participant. Review benchmarking can be described as a group visiting each participant with the purpose of identifying relative strengths and weaknesses. The purpose is also to discover best practices and perhaps also assist in taking actions for further improvement. In database benchmarking the participant's data are compared to a database of performance levels whereas in trial benchmarking the task is completed by testing products and services that belong to other organisations or companies and drawing comparisons between them and one's own products and services. In survey benchmarking usually an independent organisation surveys customers and customers' perceptions of relative strengths and weaknesses, and makes comparisons with regard to the competition. Finally, in business excellence models benchmarking an independent evaluator establishes a score list of some sort of the organisation studied. This is done in accordance to a business excellence model such as the Baldrige Award or the European Foundation for Quality Management (EFQM). (Stapenhurst 2009)

In this research mainly one-to-one benchmarking and public domain benchmarking methods were used for example in order to collect data from Internet sites and Kuntaliitto magazine. Also review benchmarking was partly been used, as one of the key objective was to find best practices from different cities.

In Figure 10 below, the benchmarking process is identified; the process is applicable to all benchmarking methods. For each method it is important to define the following aspects:

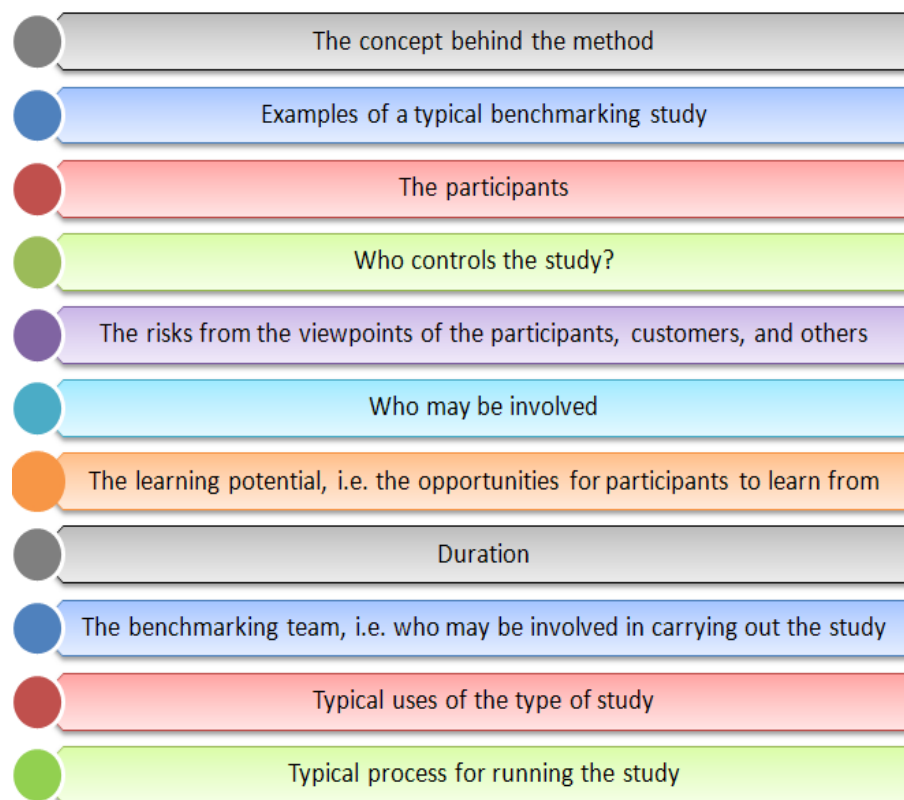


Figure 10: Benchmarking process (Stapenhurst 2009)

Furthermore, in the service design context the activity of benchmarking can refer to studying organisations or service providers that deliver a different service but one that has similar features. Service design methodology enables the identification of general principles and those areas which cover those principles. It can be very useful to learn from other companies' or organisations' experiences who deal with a similar service as the one that is being developed or improved. (Moritz 2005)

In order to gain an understanding of the customer co-design cases benchmarked to the Lohja case, thorough desk research was carried out and information gathered from each city or project's website. Additionally, theme interviews were carried out with the project managers or persons representing each case. The interviews were carried out in person, by telephone and by e-mail depending on the availability and preference of the interviewee. Altogether one in-person interview, two telephone interviews and one e-mail interview were carried out between March and April of 2011. In each case the interviewee requested to familiarise herself with the interview topics and questions prior to the interview and thus, the interview structure was sent to the interviewees from a few days to a week prior to the interview (see Attachment 3).

In the benchmark cases the objective was to find answers to the following topic areas:

- Why have the organisations started to involve customers, what was the trigger behind the activity? Did the idea come from the customer, employees or city decision makers; or from other sources, business contacts or from somewhere else? Also, if there was some specific reason which guided toward this activity (could be, for example, lack of resources such as finances).
- How have they involved customers? What kinds of forums and methods have they used, and have the ideas been generated by customers, employees, decision makers or have they arisen from other sources?
- What have the organisations done with the ideas, improvement suggestions etc. that have been raised by the activity of co-design? What are the plans for future?

The data collected in the benchmark cases was analysed by the researchers and it contributed to the development of the process model for the co-design of services in the municipal sector, the objective of this thesis. Mainly, the data collected shed light into the different objectives and methods of service co-design in the benchmarked cities/municipalities. It was interesting and useful to see how different types of co-design projects were carried out. For instance, how the city/municipality interacted with customers in each case; how electronic tools of communication, portals and devices were utilised; and what kinds of processes or procedures were established prior to or as a result of the co-design projects. Additionally, the experiences shared by the interviewees provided additional insight into these aspects and also into considerations regarding the internal processes within the city organisations. All of this information contributed to the process model developed as a result of this thesis.

For the purposes of the research carried out in this thesis, each benchmark case is described on a general level in the following paragraphs. The objective is to provide an overall perspective to each case. The results of the benchmarking cases with the interviews are analysed in section 4.

3.4.1 Benchmark case: Helsinki

Forum Virium is owned by the city of Helsinki and it employs 20 people. It was founded five years ago in 2006 on the initiative of various businesses. The vision has been to speed up digital services development with open innovation. New digital services are created in

cooperation with businesses, the City of Helsinki and other public sector organisations; also the citizens of Helsinki can participate in testing and developing the services. The goal is to create better services and new businesses, and to open up connections to international markets. Current theme areas have been: Wellbeing, Media, Learning, Smart City and Innovation Communities. (Forum Virium 2011)

3.4.2 Benchmark case: Mikkeli

The city of Mikkeli has taken a keen interest in customer-centric service co-design. The city of Mikkeli has executed several actions and activities under the umbrella concept “citizen co-design”. (Itä-Savo 2011) One of those actions is launching a website called Minun Mikkeli, (My Mikkeli) which is a web portal on which citizens are invited to share their views, thoughts, opinions and ideas on their town and its activities and services. The purpose is that through the web portal the citizens’ voice can be heard and thus their comments and ideas included in the decision-making process of the city. Some of the topics discussed on the forum seem to be topics very close to the citizens’ everyday life: for example senior citizen services, healthcare services etc. In addition to the web portal, which after all is just one tool in customer co-design, the city has organised a series of actual forums or town meetings which have been open to public and held at a central meeting point: the town square. Topics discussed in the forums have been customer driven, such as elderly care etc. (Minun Mikkeli 2011) A screen shot from the website is found in Figure 11 below.



Figure 11: Mikkeli Leikkii website (Mikkeli leikkii 2011)

3.4.3 Benchmark case: Oulu

The City of Oulu has carried out several service development projects aimed to understand and support the development of new technologies by testing and implementing them in public sector service packages. In these projects the city employees have had an important role in the renewal of service processes, offering local partner organisations opportunities to test innovations in a real-life environment. Pilot prototypes have been used based on real-life development needs, using existing ICT solutions, and with the aim of achieving cost-effectiveness and easy access. Oulu wants to be a strong and active player among European cities and works in cooperation with several cities and companies. They have piloted for example the following:

- **Solutions to Support Learning**
A suite of new services to improve learning through a growth in motivation, including hybrid books, e-media sharing platforms, and sports games
- **Smart Day-care**
Real-time monitoring of the attendance of children in daycare centres and of staff working hours will enable an optimal use of resources and form a basis for the hourly-based day-care units of the future. E.g. Daisy, see Figure 12 below.
- **Mobile Work Support**
Mobile automation of the logging and transfer of work hours by city mobile workers for approval and for use in payroll systems.
- **UBi Video Tourist Guide**
The 'UBi Hot Spot' video guide service will allow tourists and citizens to easily locate services and information.
- **Mobile City Services / City Card Services**
The NFC-enabled city card, a turnkey solution allows cities to serve citizens through mobile channels, linking those citizens to services, tickets, coupons, and more. (Oulu 2011)

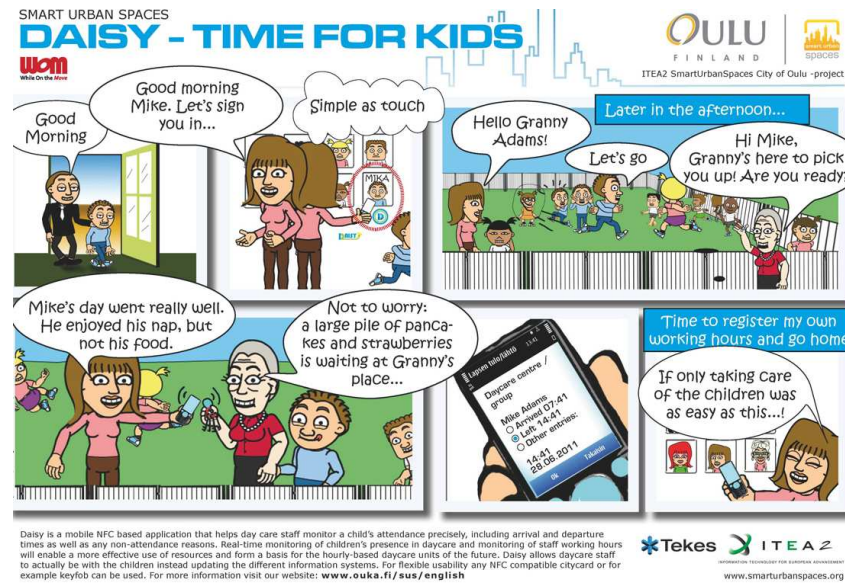


Figure 12: Smart Urban Spaces, Daisy - Time for Kids (Oulu 2011)

3.4.4 Benchmark case: Tampere

The city of Tampere has been one of the pioneers in the sector of public service development in Finland. The city organisation has applied service co-design philosophy both in their internal and external processes, focusing thus on the internal organisational change and also involving customers in the service co-design. The city has been active in incorporating electronic services in their service offering, one example being the web platform VALMA (see Figure 13). Through the platform the city organisation is able to involve customers by posting information and asking for the customers' inputs and ideas for different topics. (Tampere 2011)

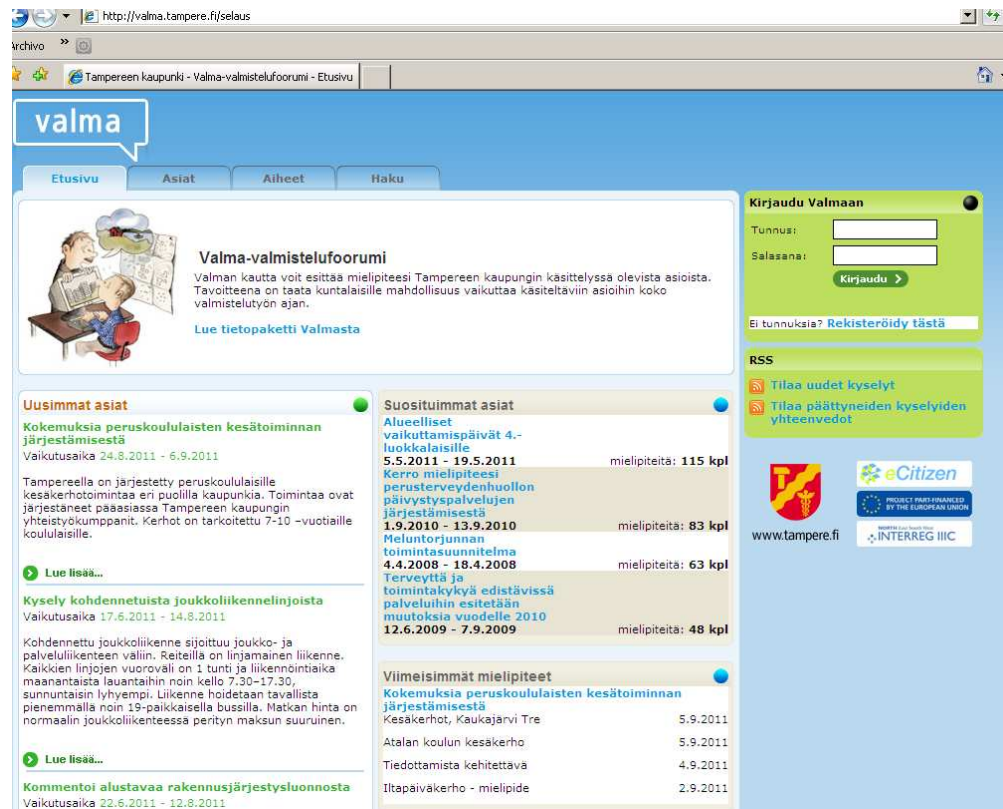


Figure 13: VALMA web platform (Tampere 2011)

3.5 Interviewing

Interviewing is a frequently used method in qualitative research. Interviewing enables collection of material in a flexible manner and adapted to the interviewees' responses. When using the interviewing method it is possible to control the order to themes and to interpret the results of interviewees. The interviewee is seen as a subject in the interviewing situation and he must be provided with the chance to express topics of his concern freely. When the research deals with a topic that is unknown or unfamiliar it may be difficult for the researcher to foresee the direction of the interviewee's responses. This method does, however allow for inquiring clarifications and requesting, for example justifications for expressed opinions. When using the interviewing method it is important that the outcomes be considered in a wider context. (Hirsjärvi 1997)

In the service design context an interview can simply be seen as a face-to-face discussion with typically one person at a time, and having the objective of collecting data or the interviewee's opinions regarding a specific topic. Interviews can be recorded in different formats, such as video, audio or note. Interviews are followed by an analysis of the results.

Interviews in the service design context are often used to gain people's opinion or to gain insight regarding their experience or expectations. (Moritz 2005)

According to Rubin & Rubin (1995), a qualitative interview is an effective research tool in which an interviewer must prepare questions in advance, and later analyse and report the results. The interviewer should guide the questions and focus the study. Good interview skills require practice and reflection and beyond the acquisition of interview skills, interviewing can be seen as a philosophy of learning. The interviewer becomes a student and then tries to get people to describe their experiences in their own terms. The results are imposed obligations on both sides. The qualitative researcher determines what is important, what is ethical, and the completeness and accuracy of the results. There are several types of interviewing methods researchers can use while compiling a study. It is important to use a right kind of method, suitable for the specific occasion. (Arizona State University 2011)

In theme interview the themes of the interview are well planned before the actual interview. In some instances the order of the themes is not that relevant, but the natural flow should determine the sequence and order of the procedure. Depending from the research problem, it might require that themes should be handled in specific order. Theme interviewing is a conversation, which has predetermined meaning, it is not day-to-day conversation. It is very important that the structure of the interview is controlled by the interviewer. The advantage of a theme interview is that the collected data builds genuinely up from interviewees own experience. Researchers pre-determined plans and possible answers do not limit the accumulated material. Nevertheless the pre-determined themes connect the material to the actual research problem. In theme interviews the number of interviewed people is limited and that is why it is important to pay special attention to the selection process, who should be interviewed. This should also be explained, why these people was selected to be interviewed. (Statistics Finland 2011)

Semi-structured interview is an interviewing method which consists of questions or themes that have been prepared in before-hand and through which the interviewee is guided in a systematic way. The interviewee is invited to elaborate on his answers and thus, a simple question-answer type of interviewing style is avoided. There are usually rather broad themes or topics covered in a semi-structured interview, and it is important that the interviewer guide the interview towards the issues of his interest. The interviewing style can be very detail-oriented or it can be guided in a more relaxed manner. The semi-structured interview has the benefit of being easy to adopt, flexible and it can help to uncover information that would otherwise be difficult to find. As it is based on conversation it is possible for the interviewer to alter the style, pace and structure of the interview in order to gain the most valuable insight during the interview. Additionally, this type of interview allows for the

interviewee to answer to the questions posed according to his own personal preferences and style. (Qu & Dumay 2011)

Expert interviews as a service design tool refer to discussing a topic with specialists and experts who are experienced in the field of the service design project at hand. Through expert interviews one can gain valuable insight and understanding of the field or environment of the service design project. Thus, incorporating experts in the service design process can be of great importance as they can unfold information regarding for example the trends and tendencies, problems and constraints of the field in question. However, they must be carefully selected and the interview skilfully executed. (Moritz 2005)

A combination of interviewing methods was used in the expert and customer interviews carried out as a part of the empirical research of this thesis. The used methods were in-depth interview, theme interview and semi-structured interview.

3.5.1 Expert interviews

In addition to benchmarking other cities and municipalities it was considered important to gain an expert viewpoint to customer co-design on a more general level. Hence, two interviews were carried out with experts of the Association of Finnish Municipalities, a roof organisation of Finnish municipalities, in order to gain on one hand an expert viewpoint to the topic of customer co-design in the public sector, and on the other, a holistic view of customer co-design on a national level in Finland. The interviews were carried out in person in April of 2011. The interviewees were provided with the interview themes in beforehand by their own request. Comprehensive notes were taken during the interview.

The expert interviews were carried out in person in April of 2011. The interviewees were provided with the interview themes in beforehand by their own request. Comprehensive notes were taken during the interviews which were then analysed by the researchers. In sight of this study, the interviews provided a great deal of information with regard to the current status of customer co-design in the Finnish cities and municipalities. The data collected in the interviews was used towards developing an overall understanding of the possibilities and limitations of this type activity in the municipal sector.

3.5.2 Customer interviews

The customer perspective was incorporated into the study with the aim of understanding how current and possible new customers of public day-care services perceive the concept of collaborating with the local service provider and engaging in service co-design. This viewpoint was gained through open interviews with customers. The interviewees were selected as a random sample without having to fulfil any specific criteria as to their possible target group other than to be a parent (for example: children not yet / currently / not anymore in day-care or other). Thus, the interviewees represented a group of varied customer profiles. The customers interviewed were not linked with any of the cases studied. The interviews were open and non-structured; the interviewees were simply posed the question *“How would you as a parent like to be involved in co-designing public day care services, based on your own experience?”* and then encouraged to discuss their views, possible experiences and ideas.

Customers who were already participating in the co-design workshops of the city of Lohja were not included in the interviewed customer group as it was considered that they might be biased due to their prior, recent workshop experience. Four interviews were carried out in person and by e-mail in March-April of 2011. Comprehensive notes were taken during the in-person interviews and the notes were analysed together with the e-mail responses by the researchers. The data collected in the customer interviews helped to provide an understanding of how a so-called common customer would perceive the opportunity of co-designing a day care service together with the service provider. The interviews also provided insight and ideas regarding the desired forms and modes of collaboration between the customer and the city/municipality, from the customers' viewpoint. This data was used in the study in the development of the process model for co-design of services in the municipal sector.

4 Results

In this section the key results of the different phases of the development process are presented and analysed. The purpose is not to analyse every single piece of data brought up in the research but rather to highlight the key findings of each phase, i.e. internal and external workshops and observation; benchmark cases; and expert and customer interviews. Furthermore, no conclusions are made in this section with regard to the research topic as only the results of the empirical research are presented. Outcomes of the thesis are presented and discussed in section 5.

4.1 Workshop and observation

The key themes of the workshop and observation phase were firstly the internal processes and practice for facing the customers with a new concept of co-design with service design methods. Secondly, the purpose was to gain insight into how customers received this type of a new cooperation method, workshop, and service co-design with the city employees. The workshops and hence, observation were carried out exclusively in Lohja.

4.1.1 Internal workshop and observation

One of the most important topics that were raised in the internal workshop phase was the essential need for communication. The personnel expressed their confusion and lack of knowledge regarding the customer workshop project as a whole, and had several questions regarding the objectives, motivations, execution, follow-up procedures, legal issues, practical arrangements, scheduling, resource allocation and other details of the project. It was clear that the personnel had not been informed sufficiently about the project. The personnel involved was exactly the personnel who would be in charge of running the workshops in practice together with their colleagues at the day-care centres who, in turn, would be informed by the personnel present at the internal workshop.

It was also evident that there were many doubts regarding how the personnel would adapt to a new working method, such as the customer workshops would be. Also considered was the question if there would be any means with which the adaptation could be smoother and more manageable.

In addition to internal communication the necessity of external communication can be highlighted from the workshop. External communication refers to the communication with the customers of the day-care services, in this case the parents who would be invited to participate in the customer workshops. There were questions raised with regard to how the new kind of service design method such as the customer workshop would be communicated to the customers, what kinds of incentives there might be for them to participate in this type of an activity with the city organisation and how would their feedback be processed afterwards.

One of the key findings of the internal workshop phase was the need for an established process with regard to introducing a new working method such as the customer workshops. If there is an established process in place, there are clear steps for the personnel involved to follow and the basic questions can easily be answered: What are we doing? Why are we doing it? When? With whom? How?

Employees, the personnel, should be included in the process from early stages on already. The front line staff, in this case the employees who work with the children and meet their parents in the day-care centres on a daily basis, can contribute important information regarding the customer needs and wishes. They could be trained to listen to the customers in order to hear for example if there would be a need or an interest from their side to participate in co-design activities with the service provider, and also, what would be the best way for them (it may not necessarily be a workshop).

Furthermore, all employees should be included in the process of introducing new working methods such as that of a customer workshop. It is probably a new concept for many of the personnel and requires time and practice for it to be adapted. It is important to practice the new method or new methods prior to launching them to the customers.

4.1.2 External workshop and observation

The objective of observing how the customer workshops were organised and executed was to find out how this type of co-creation worked and what could be learned from it in order to develop a process model for service co-design in the public sector.

The technical execution of the customer workshops was satisfactory. Some of the difficulties faced were for example the lack of participants in the first workshops organised. The customers seemed to be somewhat confused with regard to the purpose of the meeting. They seemed to be expecting a more of a traditional parent meeting. The chosen method for the workshops was 100 ideas generation.

In the first workshop facilitators did not walk around during the brainstorming; this could have heated up the pace with participants a little, in order for them to be more creative and not blocking and judging their ideas too much. Parents were clearly positively surprised by this way of working, but they did not know what to expect, so this might also affect the outcome. Before the workshop started and parents arrived the facilitators repeatedly mentioned that they are somewhat nervous, because this was new way of working for them and they did not know about this well in advance. They mentioned that the first time they heard from this was at the meeting held in 29.9.2010 in Lohja, where they already had to choose the method to be used and date for the workshop. After the workshop was over the employees seemed very relieved and felt that they had succeed and were happy to the response from the parents. Parents seemed to be happy by the workshop as well and a few mentioned that it is always good to meet other parents from the region. Ideas from the parents were very similar and all together 131 ideas came up from which 15 were presented

in the first workshop. It was promised by the day-care centre employees that all ideas would be written down and presented in the early education unit's board meeting. In Figure 14 below the outcomes from the workshop are visualised. Parents wrote down their ideas in flip chart papers and eventually each team narrowed their ideas to five most important ones, which were presented for the whole group. In the figure below these final ideas are written down, and translated into English from the original language, Finnish. The theme for the workshop and idea generation was "child's good day".

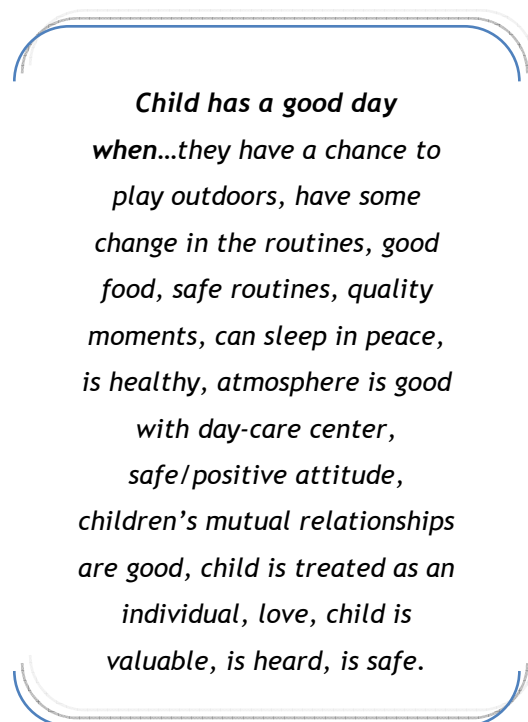


Figure 14: Outcomes of the workshop 8.11.2010

In the second observed workshop the ideas from the parents were again very similar. From all the presented ideas two of the most important ones for the parents were selected and these ideas were to be put into Owela web portal on 1st of December 2010, so that other parents could contribute as well. It was promised by the day-care centre employees that all ideas would be written down and presented in the early education unit's board meeting.

In the beginning of the workshop parents expressed their wish that these kinds of workshops should be arranged at an earlier time, immediately after work (this workshop started at 18:30). Also, parents were not sure what this workshop was really for, they were expecting it to be a normal parent meeting. Parents were clearly surprised and a bit nervous to notice so many other people in the room, who were not going to participate in the workshop (there

were a journalist, photographer, VTT employees and Lohja city officials in the workshop as well). The journalist asked everyone's names and this might affect some outcome. Facilitators were also bit nervous, because this was the first time they arranged and facilitated this kind of workshop and their supervisor and other outside scope people were present. During the brainstorming facilitators did walk a bit around and reminded people from the deadline and how many minutes they had left. Also other members walked around as did the journalist and photographer. After the workshop was over the employees felt it had went better than expected. Parents also stayed until the end, even though it took longer than expected. Themes for the Owela portal can be found in Figure 15. The parents wrote down their ideas into flip chart papers in teams and narrowed their ideas down to the five most important ones, which they then presented to others. From all the gathered ideas the parents selected two of the most important ones. These two ideas, information flow should be clearer with clear channels and content and specialisation, are illustrated in the figure below. Specialisation refers to the idea that there should be more specialised day-care centres e.g. for music, sports or languages. These ideas were later posted to Owela web-portal.

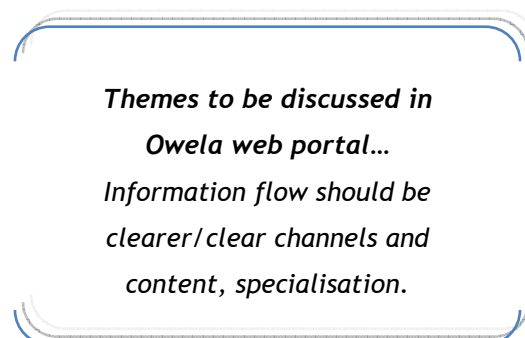


Figure 15: Outcomes of the workshop 24.11.2010

A part from the two workshops mentioned above there were the following workshops arranged according to the project plan: Northern Lohja area organised a workshop in 16.12.2010 and Källhagen region organised a workshop on 1.2.2011. These workshops were not observed by the researchers' part, because the purpose of the study was not in the Lohja workshops alone. The workshops were not a part of the study design, nor suggested by the researchers, instead the research problem was to discover a process for finding the best co-design ways with customers in the public sector, and to create an enhanced process model.

A few months after the first round of workshops the researchers asked by e-mail from the region leaders' feedback as to their experiences on the workshops. An e-mail was sent to all the staff involved in the parent workshop project. The e-mail consisted of the inquiry: *"Please describe your experience of the parent workshops"* thus, allowing for the recipient to

freely express his/her experiences, views and thoughts without limiting them by a questionnaire or a survey. It was also expressed that all replies would be treated unanimously and confidentially, and the information was requested solely for the purpose of the researchers' study. Only two persons replied to the feedback request even though a second round of e-mails, a reminder (with same content) was sent. In the feedback received from the staff, not only in the feedback stage but also during the observed process, it was clearly mentioned that there is a need for the staff to be better informed and included in the workshop project. There was not enough communication within the internal organisation about the workshops, their objectives and the project as a whole, so it was difficult to see it as the process as such. The scheduling should have been considered more carefully, and it would have been useful to have more tools for the workshops as for the continuation of the project.

4.2 Benchmarking

The objective of benchmarking the service design and co-design projects carried out in selected cities in Finland was to gain insight into what types of projects had been carried out and how; was customer involvement through new modes of service design and co-design considered an important activity by the city; what was the trigger behind the activity; what concrete methods had been used; and how was the insight gained by this activity used in the city organisation and did it have any short, medium or long term influence on ways of working.

In all of the cases there were partner organisations (consultancy, technology, financial) from the private sector involved in various phases. In none of the cases did the city attempt to carry out the new project of service design and customer co-design by itself or depending only on its own resources.

The results of the benchmark cases are divided into eight topic categories, following the structure of the semi-structured theme interview that was utilised as a method in addition to desk research. The categories are listed in Table 6 below.

Table 6: Topic categories of benchmark case results

• Motivation behind the service co-design activity
• Methods of customer involvement
• Role of technology or electronic services in the co-design
• Satisfaction of the city and customers (city's viewpoint) in the co-design experiences
• Feedback process
• City organisation's resources for customer involvement and co-design
• Establishing processes for co-design
• Other considerations

The results of the benchmark cases divided into the categories mentioned above are analysed in the following paragraphs.

- Motivation behind the service co-design activity

The reason or motivation behind the service co-design activity with customers in the cities studied came often directly from within the city organisation or from the management of day-care services. For example, decision makers had learnt about such activity from other organisations and having heard from their positive experiences and how also customers had received this type of activity positively, decided to incorporate customer co-design in their own service processes, or carry out a service design or customer co-design project as a pilot project.

It was acknowledged that carrying out a co-design project meant a change for the people involved in the project.

“The purpose of the project was to develop a new way of working which could be used in other development targets as well.”

Other motivations included also topics related to scarce resources and finding better, more efficient ways of working. The city organisations also wished to find ways to deliver better service for their customers.

“It is important that service design, cost consciousness and citizen involvement are present in the project.”

Additionally, customer co-design projects could be perceived as brand development projects for the city. A public organisation can influence positively the way it is perceived in the customers' eyes by engaging in an activity such as customer co-design.

- Methods of customer involvement

Several methods of customer involvement were applied in the benchmark cases. The most common ones were workshops, focus groups, questionnaires (e.g. customer satisfaction surveys), polls and prototyping. Also, some type of an electronic portal or platform was used in all of the cases as a tool for customer involvement.

The workshops took many different forms: customer workshops, employee workshops or mixed customer-employee or customer-employee-technology partner workshops. Also work conferences, a form of workshop with more than 20 participants at a time, were utilised as a tool. The customer workshops were organised either during the day time in cases where a very limited number of customers participated (e.g. only two) or in the evening time which enabled a larger number of customers to participate. The duration of the workshops ranged from 1 to 2.5 hours at a time. There was either a pre-selected theme for the workshop or the theme was decided upon at the workshop. Service design methods such as for example personas were used in the workshops. External facilitators were used in most of the cases. Customers were invited to the workshops through for example parent associations. Channels of communication utilised included for example posting an invitation on the day-care services' website and on the bulletin boards of the day-care centres.

Other ways of communicating with the customers and involving them were for example informal events called "parent cafes", organised on a unit level in the children's day-care services. These are open events organised in day-care centres every two months where parents are invited to come and discuss topics of their interest with the staff.

In some city pilot projects children as customers were the ones who participated in the co-design activity. For example a mobile services project was carried out in which a group of 5th and 6th graders worked as a pre-pilot group and their teacher facilitated workshops with them. In practice the children were given a mobile device and asked what they would like to do with it. The outcomes of these brainstorming sessions were then presented in parent meetings and the parents' feedback was requested.

- Role of technology or electronic services in the co-design

“There has been a notable increase in electronic interaction between the city and the customers.”

In all of the benchmark cases some type of an electronic portal, platform or device was used. In two of the cases the VTT Owela social media platform was utilised as a means of communication, idea generation and co-design between the city organisation and the customers. The platform allowed for the customers and staff to communicate in a closed environment. In some cases the electronic platform was used only as an information sharing channel, not exactly as a co-design platform as such. It was also used in order to generate ideas and find themes for the workshops (face-to-face communication).

Other applications of technology in the benchmark cases were for example mobile devices which piloted in several day-care service projects. Another example is a digital folder created for each child which allows for easier access to his/her information and allows for example for the child's grandparents to see the data as they can be facilitated a link to his/her folder.

The increasing technology does bring about challenges, such as training the staff to the appropriate use of computer and for example finding resources for the new processes.

- Satisfaction of the city and customers (city's viewpoint) in the co-design experiences

The experiences of service co-design with the customers were mainly positive as described by the city representatives, and the different co-design projects had been well received by the customers.

Some of the difficulties encountered in organising, for example, workshops were that it was difficult to activate customers into participating in the workshops. However, the parents who did participate in the workshops found it to be a very positive experience.

- Feedback process

With regard to existing procedures for processing feedback in the city organisations, and specifically in the cases studied, in some cases the procedures were described as quite rigid. In many cases customers were able to send direct feedback by e-mail to the service unit, which would then be answered by the service unit director.

It was, however, acknowledged that traditional feedback methods such as suggestion boxes do not work and are not sufficient in user-driven development. Instead the overall objective would be to achieve a higher level of cooperation with the customers: co-design and idea generation together with the customers.

- City organisation's resources for customer involvement and co-design

“Developing services through user-centric methods requires skills, persistency and willingness to go outside one's own comfort zone.”

What is required from the city organisation for customer involvement and co-design is a new skill-set, a new mindset, dedication, training, communication and persistency. It was commented by the city representatives that it also requires skilful change leadership, communication and marketing activities. There is a process in question and thus requires several small steps to be taken, one at a time and with a determinant mindset. External facilitators, co-developers and people with different kinds of know-how are necessary.

- Establishing processes for co-design

In some of the benchmark cases there was a process established for customer involvement and co-design.

As an example, for the playground project “Mikkeli leikkii” the different stages of the project were identified both from the customers' viewpoint and from the back office or city organisation's viewpoint. The project stages are illustrated in Figure 16 below.

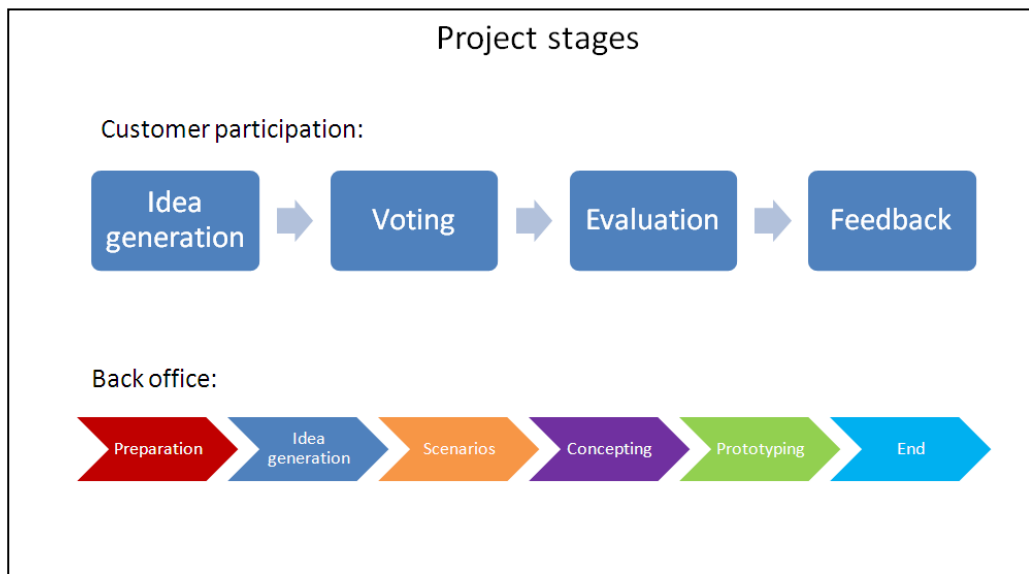


Figure 16: Project stages (Minun Mikkeli 2011), translated from Finnish

- Other considerations

Other considerations for the customer co-design and customer involvement activities discovered in the benchmark cases include change management. It was acknowledged in several cases that were successfully carried out that one of the key elements of success was acknowledging the changing situation and putting an effort in change management and communication. This allowed for both the employees and the customers to be more recipient for the new ideas and ways of working.

It was also important that the staff had been involved early on so that they were already aware of the project and its purpose before customers were involved. The project, its goals and objectives had been communicated to the staff and the message delivered in a positive manner. The employees may have been nervous and even a bit frightened in the beginning when the new method such as customer workshops was introduced. They may have also doubted whether they would learn to use the possible new systems, devices or technologies and whether they would be able to involve and encourage the customers in the workshops.

One important consideration is customers' expectations. It is very important to communicate with the customers clearly so as to avoid building up expectation which are difficult to meet.

4.3 Interviewing

In addition to the benchmark cases expert interviews and customer interviews were conducted. It was considered important to gain an expert viewpoint to customer co-design on a more general level. The customer perspective was incorporated into the thesis with the aim of understanding how current and possible new customers of public day-care services perceive the concept of collaborating with the local service provider and engaging in service co-design.

4.3.1 Expert interviews

There has been increasing interest in involving customers in the design of public services in different parts of the country and, in fact it has been considered such an important topic by the Association of Finnish Municipalities that it has been included in their strategy. This tendency was observed already in 2008-2009. According to the interviewees, several municipalities have shown interest in actively developing this type of collaboration with their citizens and have been keen to participate in pilot projects. On the internal side citizen involvement can cause confusion or at least there must be very clear practices at all levels, especially at the “front-desk” with regard to how customer involvement is to be carried out. As an example, within a municipality there can be very varied practices as to how customer feedback is handled, and often the frontline staff doesn’t know how to handle the feedback and put the message forward, nor to know whom it should be forwarded. There is a lack of common practices and also the improvement ideas of these internal processes don’t reach the board level where they could be decided on. Many municipalities also lack in the technological aspect as for example their websites are not very user friendly and thus inviting citizen involvement electronically.

Based on the interview results, service design and co-design in the public sector is increasing constantly, and after more results are gained from various on-going pilot projects, more demand from new communities will be observed. This also means that more training for public sector employees will be needed in the future. At the moment there is basically no internal training available, but participating in external trainings and seminars is very much encouraged by the Association of Finnish Municipalities.

The third sector has an increasingly important role in developing services and it doesn’t have to be necessary for the municipalities themselves alone to engage in service production. A key element in attracting citizen’s attention and interest in becoming involved in designing services together with the city or municipality could lay in city neighbourhoods and

communities where people still have a sense of community and power to influence services in their immediate surroundings. This may be hard to find in modern day Finnish urban neighbourhoods, but where they exist, this type of new thinking could be welcomed.

Service design and co-design with citizens was included in the national innovation strategy in 2008 and Ministry of Treasury's strategy in 2009. International, mainly European co-operation brings Finland closer to the top in innovation. According to the interviewees, so far there are not any established practices or systematic execution in the Finnish cities or municipalities as to how to introduce or increase citizen involvement in service design. Then again there are several on-going pilot projects through which experiences are gathered regarding for example how this type of new approach is received by the customers and different stakeholders, what kinds of service design methods seem to work best and in what contexts. Some of the typical service design methods used are, for example, different kinds of workshops, persona cards, service blueprints, journals, picture scripts and observation. Also video clips have been proven efficient. Based on the interviews, the role of electronic tools is undoubtedly important these days, however, it shouldn't be overly exploited. Social media tools are useful, but going as far as creating separate portals for different activities might be going over the top as one must remember how customers these days are already struggling with too many electronic distractions competing for their attention.

The interviewees mentioned that some of the obstacles impeding currently a wider spreading of service design in the public sector are related to the newness of the field. For example, not all of the related vocabulary has been translated into Finnish. Whenever talking about innovation it is important to remember that it can never be forced, and neither can service design which is very closely linked to innovation. All in all citizens tend to be very keen on co-creating services together with the municipal representatives, even more so than the municipality leaders.

The empowered citizen - citizens are often an ignored resource for public sector decision makers considering that they have first-hand experience and insight into the services they use and are equally, if not more, highly educated than politicians. According to the interviewees, when invited and encouraged to co-create, citizens can be a real resource and innovator for the municipality.

Finland's position in involving citizens in co-design of public services among European context is relatively high. The front runners in service innovation and customer co-design are: the United Kingdom, Germany, Finland, Denmark, the Netherlands and Czech Republic. Finland tends to have these themes in different strategies, but putting them into practice is more difficult. The front runner in Finland is the city of Mikkeli. The general development in the

field is so rapid at the moment that it is impossible to forecast where the development will be within five years.

4.3.2 Customer interviews

The aim of the customer interviews was to gain insight into how customers would see their role and whether they would be interested in becoming involved in co-creation of public day-care services together with the public service provider. Two interviews were face-to-face interviews and two answers were received by electronic mail. Quotes in this paragraph are translated from Finnish to English. All four interviewees were asked the same question:

“How would you as a parent like to be involved in co-creating public day-care services, based on your own experience?”

All interviewees started the interview by explaining what could be improved in the services, what is wrong in the services and day-care centres and city regulations at the moment.

“I did not receive any service from the municipality side, only received numbers and personally had to call one by one to inquire whether there would be a place for the child in a day-care centre. Most of the places were full. So, do not expect good customer service, you need to call and ask things yourself. Should there be some solution for this so that mothers would not call on top of each other to day-care centres, there should be some coordinated activity, and some person who knows the status of free places and mothers could contact and work with this person.”

“Too large day-care centres, there are too many children in a place and this leaves the smallest and quieter children into poorer position compared to the “rougher” more loud children.”

When interviewees realized that they had not actually answered to the question, on how they would personally like to be involved; they commented that it is a hard question to answer, they do not have time for co-creation, or that they need to think about it for a while.

Main themes that came up from the interviews were related to communication, ease-of-use, not too much time consuming, web-portals, should start from little enhancements, transparency needed and cooperation. Parents would also like to be influencing what kind of activities and excursions day-care centres organise for their children.

“Coordination and communication between parents and municipal authorities and day-care centre should be improved.”

“I would be interested to be involved, but it should not require too much time.”

“It would be good to meet other parents whose children are of same age.”

“Parents could plan together, with the help of day-care centre employees, some activities for the children and plan their catering service and food contents.”

One parent came up with a focus group idea, which could meet between 1-2 times per year. Issues to be dealt should be focused on local day-care services, so that one could more concretely see and follow-up the progress. She mentioned that there is no visibility today and parents would be really interested to know what is improved and why. Focus groups should be for parents only, no day-care centre employees should be present, and these should be facilitated by an outside facilitator. If the employees would be present, there would be a fear that parents cannot be totally honest and open because this might affect the way their children would be treated afterwards. From these brainstorming sessions, employees would get a summary and a development idea. Another way could be that after the focus group, employees would be present to hear the development ideas from the workshop. She felt that it would be easier to give feedback as a group instead of personally giving feedback. When asked directly feedback she is not convinced that people give really honest feedback. It would be important to ask development ideas, not feedback from current model. Parents should receive updates on how things develop, communication is vital and needed.

“All in all, we should start from little, have a light process.”

“If the starting point is zero, there is no use in using fancy service design methods e.g. blueprints.”

All in all one interviewee concluded with what she values most in day-care services:

- She can be in peace at work, when she knows everything is all right with the child
- Personal touch
- Child can get hugs and affection from an adult if needed
- Child gets individual attention
- Parents get instant feedback when going to the day-care centre
- Employees have time for parents as well
- Child likes to go to the day-care centre

4.4 Illustrating the results

The central themes of the results presented and discussed in this section are demonstrated in Figure 17 below. These issues are representative of all the information gathered in the empirical research process. Data for the figure below is derived from the expert and customer interviews, direct quotations what the interviewees said, observations from both internal and external workshops and interviews from the benchmarked cases.

essential need for communication...confusion and lack of knowledge...questions regarding the **objectives**, motivations, execution, **follow-up procedures**, legal issues, practical arrangements, scheduling, resource allocation...personnel had not been **informed sufficiently**...doubts regarding how the personnel would **adapt to a new working method**...external communication...**communication with the customers** of the day-care services, the parents...**positive experiences**...a **change for the people involved**...develop a **new way of working**...scarce resources...find ways to **deliver better service** for their customers...**brand development**...increasing interest in **involving citizens** in the design of public services...Several municipalities have shown interest in actively developing this type of collaboration...**clear practices** at all levels...**frontline staff** doesn't know how to handle the **feedback**...Many municipalities also lack in the **technological aspect**...on-going **pilot projects**...more **training** for public sector employees...external trainings and **seminars**...third sector...engage in service production...city neighbourhoods and communities...**national innovation strategy**...So far there aren't any **established practices** or **systematic execution**...typical service design methods used are for example different kinds of **workshops**, persona cards, service blueprints, journals, picture scripts and **observation**...

Figure 17: Illustration of results

5 Towards the process model

In this section the outcome of the thesis derived from the theoretical framework and the development process is presented and discussed. From the processed data specific elements have been identified as essential for reaching a successful process for co-designing services in the municipal sector. A process model is formed based on this procedure.

5.1 Key elements of co-designing services in the municipal sector

The elements identified from the thesis data deal with the communication and preparation carried out within the city organisations; the different methods applied to involving customers in the co-design activities; how the data gathered in the service encounters is processed and used in the city organisations; how the success/failure of the co-design methods is evaluated; the new skills required from the employees; establishing a process for the co-design activities; and the continuity of the process. These issues can be narrowed down to four key elements, or process phases, which are equally important:

- Internal processes
- Customer involvement
- Repetition and follow through
- Long-term evaluation

The four key elements and activities related to them are illustrated in Table 7 below.

Table 7: Four key elements of co-design process

1. INTERNAL PROCESSES	2. CUSTOMER INVOLVEMENT	3. REPETITION & FOLLOW THROUGH	4. LONG-TERM EVALUATION
Communication Training Resource planning Process planning Establishing owner of project/process Change management Defining roles and responsibilities	Workshops Focus groups Pilot groups Stakeholder analysis Other service design tools Change curve Importance of front-line staff	Constant learning and development -> is this working or not? Decision to/not continue change process Ensuring continuity Best practice sharing	Structured process for following the outcomes -> what has been done, when, who were involved, why, what is happening next Communication Recording outcomes Evaluation

The researchers studied carefully all the gathered data from theories to development process and results. The development process included internal and external workshops and observations, expert and customer interviews and four different benchmark cases. The researchers started to group these outcomes and results in order to see if similarities or common features could be found. Notes from the interviews and observations were compared and discussed and results were written down to sticky notes. After the sticky notes exercise, to group similar results together, four different process phases could be identified. These process phases are illustrated in the table above i.e. internal processes, customer involvement, repetition and follow through and long-term evaluation.

These key elements listed in Table 7 above can be translated into a detailed process. Each of the elements is described in more detail the following paragraphs. All of the key phases are considered to be equally important elements in the process.

5.1.1 Internal processes

Internal processes were found to be the crucial phase to start a co-design process, not to say any change process. Early on in the development process it became evident that communication should be the starting point, because if internal communication is neglected, it might jeopardise the whole process. Training was something that was noted to be important in the early phase during the internal workshops, where Lohja employees felt they did not know what they should be doing. When new ways of working and processes are being introduced it is vital that the employees are given all the opportunities possible to train and rehearse for the coming e.g. workshops they need to facilitate.

Resources and process planning are natural stages in the beginning of the process, in order to determine the coming phases and resources allocation needed in the process. Defining roles and responsibilities are one of the most important aspects in a process. Finding the owner of the process, very often called a project manager is necessary in order to reach a goal, but also other roles and responsibilities should be defined e.g. coordinator. It is crucial that each process or project has a manager i.e. owner who is responsible for the big picture and time management. For example in the benchmarked case Helsinki, the Forum Virium always hold the project management position, but in Lohja project the owner was lacking and this accumulated clear confusion inside the process.

All new ways of working are results of organisational change and thus, require proper change management. When in the beginning of a change people tend to be afraid of the new, they do

not think they possess the skills to perform in the new environment and thus, become resilient towards the new way of working. This, in turn, makes it difficult for the organisation to change. People also face change differently and some accept it fast and even hope for the change, where as some people find it very difficult to change their old habits. If change is managed properly there is a chance that the process will be a success. Organisational change management was explained in more detail in chapter 2.5. In the Helsinki benchmark case, change management was planned from the very beginning of the project.

5.1.2 Customer involvement

There are several ways to involve customers in service co-design process. In Lohja case the city officials chose the workshop method as did the benchmarked case Mikkeli as a part of its co-design project. Helsinki had pilot groups and one interviewee suggested focus groups. The representatives from the Association of Finnish Municipalities also mentioned that in their pilot projects they have used many different methods e.g. workshops, observation and benchmarking and also different service design tools, such as personas.

Stakeholder analysis is important to make in the beginning. In the previous paragraph roles and responsibilities were defined, but in stakeholder analysis one maps down who are the people or companies, partners who can help us achieve our target e.g. the development manager in the city office might be the right person to help move things forward inside the municipality, or a journalist might be the right channel to bring a certain initiative into public awareness.

Change management was mentioned in the previous paragraph and it is important to remember the change curve, introduced in the theoretical section in paragraph 2.5, in the next phase. If change management has been introduced, then employees are already further away in their own change curves and accepting the change, or at least seeing something good the change might bring for them and community. But when involving customers in the service co-design process it is important to keep in mind that they are only in the early phase of their change curve and that different people accept the change at different pace. Employees should have skills on what to do and say, how to support customers and colleagues at different phases.

When involving customers, the front-line staff is in the most important position. They are the ones who meet and hear customers daily. Their role is crucial in order to communicate the process correctly to customers, to involve them into it, and to hear positive and negative comments there might be and to communicate this in turn back to their leaders, who do not

meet customers face-to-face on daily basis. Front-line staff is also in the position to hear possible new service ideas, improvement ideas or service co-design triggers that might come from the customer. It would be important that the staff knows to identify these and knows how and where to take this forward.

5.1.3 Repetition & follow through

What is referred to with the third phase of the process is repeating the activities of the established process so as to create continuity to the process and thus, enable the process to become an actual way of working instead of a separate project. A project typically has a beginning and an end but the purpose here is to establish a new way of working which requires a commitment to carrying out the activities established for the process and repetition in order to enable constant learning and development within the organisation.

Additionally, it is important to evaluate whether the process is working or not, and to take the steps perceived necessary. It may be a question of evaluating whether some elements need to be reconsidered or changed, or even deciding whether or not to continue the process. The process should be monitored and evaluated by the owner of the process and possible external representatives so as to gain perspective into possible difficulties or barriers. These types of issues can be resolved once identified and worked on properly.

Procedures identified as best practices are important to acknowledge in the process. They should also be shared so that most use of them can be obtained. This sharing refers to the people related directly to the specific process and also in a wider context to the organisation in general and even to external parties who may collaborate with the organisation.

5.1.4 Long-term evaluation

As in any project, endeavour or a new working practice it is very important to follow through with the established process. Each process has a specific structure designed to enhance the best possible outcomes for the process, and in the final phase of the process it is important to follow, record and evaluate the outcomes. Recording the outcomes means making a detailed record of what has been done, when, who were the persons involved, why, and what is happening next. This procedure needs to be done so that a thorough evaluation of the process can be made and following this, overall conclusions drawn from the outcomes. Only after these procedures are completed is it possible to plan for future changes or improvements.

In this phase of the process, as in fact in all of them, communication is essential. It is of special importance in the last phase in which conclusions are drawn and the participants can be heard for their insight and feedback. Also, communicating possible changes or improvements with regard to the process following the careful evaluation of the process requires special attention as it often entails staff from different parts of the organisation, and often also external customers.

5.2 Process model for co-designing services in the municipal sector

The key elements described in the previous paragraphs can be seen as phases of a process and thus, form a process model, as illustrated in Figure 18 below. Naturally these elements overlap in different phases depending on the situation in which co-design process is established.

All of the process phases are interrelated and have common features which are identified and explained in Table 8 below. The common features are technology, partnerships, co-creation of value and communication. They were identified to be included in all phases of the key elements and are derived from the central outcomes of the development process.

The first feature, technology, refers to different forms of communication enabled by technological solutions, such as electronic communication, websites, web platforms, electronic mail and electronic mail newsletters. Also apparent in several of the benchmark cases were different types of mobile devices utilised in the customer co-design projects.

Secondly, partnerships, is used to describe the relationship or network aspect of customer co-design. Collaboration partners can be found in the public or private sectors or they can have a financial or expert nature and purpose. Also, customers are viewed as partners in the co-design activities.

The third feature is an overall logic that applies to the process of co-designing services, co-creation of value. According to this principle, benefits (value) must be perceived by all parties involved in the process, and value is created through different types of networks.

The fourth and final feature refers to communication. It is essential to acknowledge the importance of both internal and external communication when carrying out service co-design processes.

Table 8: Common features of the process model

TECHNOLOGY	<ul style="list-style-type: none"> • Electronic communication • Websites (internet/intranet) • Web platforms (e.g. Owela) • Electronic mail • Electronic mail newsletters • Mobile devices (e.g. access control in day-care centers)
PARTNERSHIPS	<ul style="list-style-type: none"> • Public • Private (e.g. service design agency) • Public-private partnerships (PPP) • Customers • Expert organisation (e.g. VTT, TEKES) • Financial institutions (e.g. banks, Finnvera)
CO-CREATION OF VALUE	<ul style="list-style-type: none"> • Benefits (value) for all parties involved • Value created through networks
COMMUNICATION	<ul style="list-style-type: none"> • Internal (e.g. weekly staff meetings) • External (e.g. website, electronic mail) • Stakeholder communication

This formed process model has been developed based on the outcomes of the research carried out specifically in this study. Even though the central case, benchmark cases and interviews were from the early education services in the public sector, the proposed process model does not have to be limited to this specific field. In fact when designing the model, one of the key considerations was to create a model applicable to co-designing services in the public sector in general and not in any department or field in specific.

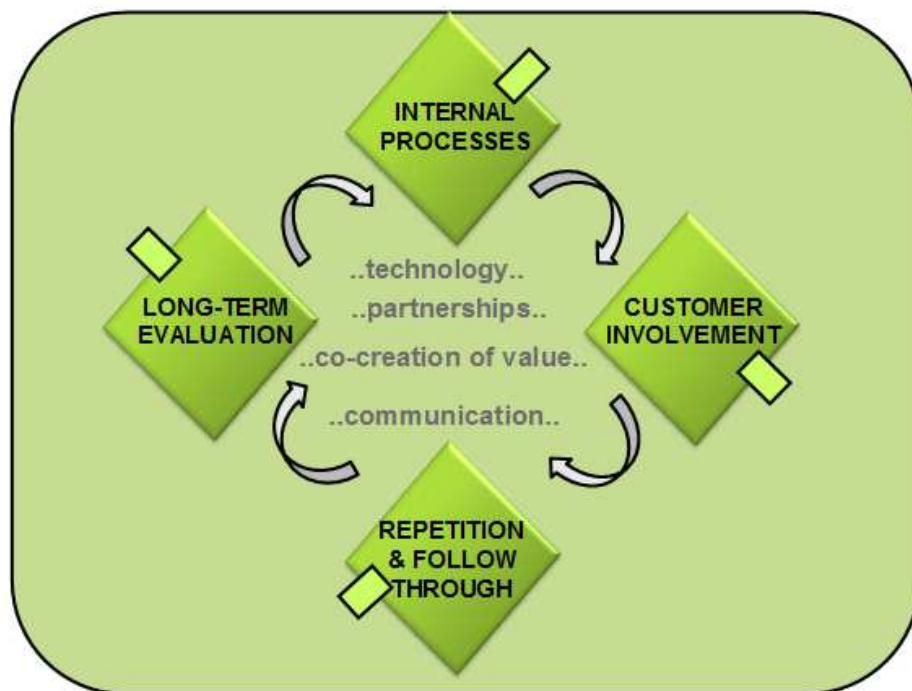


Figure 18: The process model

6 Conclusions

The purpose of the thesis was to gain insight into how customers could be involved in the co-design of municipal services in Finland, and to discover what kinds of best practices or processes have already been established for this type of activity. The objective was to design a process model based on the development process carried out as a part of the thesis and current relevant theory for the co-design of services in the municipal sector.

The key concepts of the thesis were service-dominant (S-D) logic, service co-design, customer involvement, service design, organisational change management, municipal services and customer.

The covered theories consisted of service-dominant (S-D) logic, service co-design, customer involvement, service design and organisational change management.

In the development process the following methods were applied and their theoretical background was also described: workshop, observation, benchmarking and interviewing.

The development process carried out in order to answer to the thesis objective consisted of and started by studying the central case of the city of Lohja, its early education unit's service co-design project. In this project internal and external workshops were organised and observed with the aim of finding new ideas from the customers and experimenting with this type of a service co-design method. This was a new way of working for both the employees and the customers, thus the initial reactions were observed in order to see could this kind of method work in the future and what should be kept in mind when planning new and/or continuing these workshops. With the objective of gaining a holistic picture of customer involvement and service co-design in the municipal sector and learning from other organisations' experiences benchmarking cases were selected and included in the development process. In total four benchmarking cases were established from the cities of Helsinki, Oulu, Mikkeli and Tampere. In addition to the information and insight gained from the Lohja project and the benchmark cases the research was complemented by expert interviews with representatives of the Association of Finnish Local and Regional Authorities and interviews with customers. The representatives from the Association of Finnish Local and Regional Authorities were chosen for the expert interview, because they were able to provide a holistic view from all Finnish municipalities and because their role is to support and get municipalities to join their pilot and development programs. They were also able to provide information with regard to service design in the municipal sector on an international level. Customers, in this case parents, were chosen as a part of the study as they could contribute by providing ideas on how they would like to be involved in the co-design of municipal services. The focus of the research was not on the content or quality of the services but rather on the methods and processes applied by the different cities and municipalities in involving their customers in the co-design of services. The overall purpose of the thesis was to develop a process model for customer involvement and service co-design in the municipal sector.

As the central outcomes of the thesis four key elements were identified from gathered data. These elements were: internal processes, customer involvement, repetition and follow-through and long-term evaluation. They consisted of themes such as communication and preparation carried out within the city organisations; the different methods applied to involve customers in the co-design activities; how the data gathered in the service encounters is processed and used in the city organisations; how the success and/or failure of the co-design methods is evaluated; the new skills required from the employees; establishing a process for the co-design activities; and the continuity of the process. When examined more carefully, these elements formed a process model with several common features which were identified as technology, partnerships, co-creation of value and communication in this specific development process.

The formed process model was developed based on the outcomes of the research carried out in this study i.e. theory, development process and results. Even though the studied cases and the data collected through interviews were from the early education services field in the municipal sector, the process model is not limited only to this specific field. Research did not concentrate on the content or quality of the content, but solely on the steps itself and important aspects which appeared, based on the research, important for the success of service co-design with customers in the municipal sector. Thus, the model was designed so that it could be applied also in other service co-design contexts. Research did neither cover the legal aspects of municipal decision making and thus it is possible to use it in private sector as well.

The key themes that repeatedly came up during the development process could be summarised in the following manner. Increase of electronic interaction in communication between public organisations and customers came up repeatedly on the customer's side in the Lohja case and also in the benchmarked cases. The demand of and diversity in different technological solutions and applications in the municipal sector, came from customers and the expert interviews supported this view. Expert interviews corroborated by the studied literature confirmed that in the municipal sector the importance of customer involvement is increasing both in Finland and on international scale. The importance of internal communication within the city organisations was highlighted in the observations and benchmarked cases. There exists and increased interest in giving and receiving feedback regarding municipal services and a leap from traditional ways such as direct customer feedback and customer satisfaction surveys towards closer cooperation and co-design of services is supported from all fronts, i.e. employees, customers and municipal officials.

Thurston (2009) has identified service design and evolution of public services in the following way (see quote below). Researchers found during the development process, in the observations and interviews made, this to be true in many sense. The formed process model provides support for public and also private sector, so that the services would no longer grow only organically, but could be co-designed with customers.

“Service design brings a useful set of tools, techniques and methods that enable public services to fully understand the way their service is experienced and make changes based on this understanding. Often in the public sector, services have grown organically over long periods of time: they have not necessarily been “designed” as this way until someone questions why or attempts to innovate.” (Thurston 2009)

6.1 Validity and reliability

Research validity is evaluated for the purpose of examining the trustworthiness of the conducted research and the conclusions that have been drawn from it. The purpose is to study whether what has been studied can be measured or captured, and to ensure the truth and accuracy of not only the measured and captured data but also the truth and accuracy of the conclusions drawn from the data. (O'Leary 2004)

Reliability as a concept refers to what extent the results retrieved from a research are consistent and demonstrate uniformity. This concept is also related to the extent to which a procedure or instrument gives the same results on repeated tests. Through this measurement of uniformity it is possible to ensure that the instruments used in the research result in consistent outcomes. (O'Leary 2004)

The data for the empirical research was gathered within a reasonable timeframe expanding to six months (November 2010 to April 2011). The data was analysed following directly this period. All the benchmarked cases were resent; meaning cities/municipalities were either piloting their projects or had just piloted their projects. The expert interviewees from the Association of Finnish Local and Regional Authorities were professionals of the municipal field and knowledgeable of the current trends of service innovation. They also formed part of an international network of the municipal service innovation field. Additionally, the customer interviewees fulfilled the criteria set for the purposes of the research: they were parents with children in the municipal day-care centres.

The central research tool in this research was theme interview which followed the same pattern although the same specific questions were not always asked in the same form (i.e. in same words). However, the same topics were covered and the viewpoint remained the same. As there were two persons caring out the thesis this can be perceived as adding to the reliability of the outcomes. The data has been gathered and analysed by both researchers hence allowing for more accurate conclusions to be drawn. Additionally the researchers do not represent the studied customer profile which in turn supports the objectivity of their viewpoint.

Considering the trustworthiness of the interviews it is noteworthy to mention that in the in-person and telephone interviews interviewees had a possibility to ask clarifications to questions or to topics discussed, and in this way the researchers were able to make sure that questions were understood correctly by respondents. Then again in the interviews carried out by email clarifications were also possible to make and it was easy for the researchers to analyse whether the respondent had understood the question correctly.

6.2 Limitations of the thesis

The topic of the thesis represents rather new field of study, therefore it is difficult to find development cases, pilot projects and relevant theory. The scope of the thesis was very broad and covered several topics that is why the depth had to be somewhat limited for this type of paper. The broad scope of the thesis meant that a large number of different theories had to be included and the relevant connections between them found.

With regard to the empirical research the number of benchmark cases could have been higher and also the amount of data gathered could be greater. Additionally, the execution of the research is limited because of the research methods. The data gathered could have been recorded more thoroughly e.g. interviews typed and transcribed, workshop observation videotaped.

Despite the researchers intension it was not possible to get the whole understanding and purpose of the Lohja's "Boost for the service processes" project, which was the central case of the thesis. Furthermore researchers were not involved from the beginning in Lohja's project. Also the researchers had limited resources (time, geographical distance) with regard to involvement in the Lohja project.

6.3 Suggestions for future research

As it has been stated earlier the topic of the thesis deals with a rather new field of study and thus there are plenty of opportunities for future research. Specifically from this thesis one could highlight the need for research in the field of service innovation and customer involvement in the public sector generally and specifically in the municipal field. Also, what became evident in the development process of this thesis is the importance of internal processes and communication within the organisation when carrying out new types of service design processes in the public sector. However, further research is necessary in order to find out whether these new ways of working become established processes and whether they prove to be successful methods in co-designing services together with customers in the municipal sector. This thesis represents merely few cases in their early piloting face and thus do not give a complete picture on this type of activity. Thus, there are many opportunities to study this topic further.

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Attachment 1 Guidelines and exercises for workshop facilitation

Harjoituksia Lohjan Työpajoihin

Johanna Pessa ja
Tiina Nousiainen, Laurea AMK
28.10.2010

Ohjeet Lohjan Työpajoihin

Metodi: Negatiivisten ideoiden generointi

- Esitä haaste/ongelma
- Käännä haaste negatiiviseksi
- Generoi ideoita negatiiviseen ongelmaan
 - Älä pelkää tuoda esiin paljon ideoita
 - Älä ajattele liikaa, rajoita mieltä
- Käännä tämän jälkeen negatiiviset idearyhmät positiivisiksi
- AIHE: Anttilalle esim. Lapsen pahin mahdollinen päivä päiväkodissa

Ohjeet Negatiivisten ideoiden generointiin

- 15min aikaa henk.koht miettiä ideoita, kirjoita post-it lappuihin 1 idea/lappu
- Tämän jälkeen käykää ideat läpi pienryhmissä, min. 2hlö, max. 4hlö/ryhmä
- Valitkaa 3-5 ideaa mitkä esittelette muulle ryhmälle, aikaa 15min
- Käykää läpi kaikkien ryhmien ideat max. 10min/ryhmä
- Fasilitaattori ryhmittelee ideat
- Yrittäkää löytää 1-3 positiivista ideaa/ratkaisua, 15-20min
- Sopikaa mitä tulette jatkossa tekemään, ja määritellä roolit

3

Ohjeet 100 Ideaa

- Esitä aihe/ongelma/haaste mitä lähdetään pohtimaan
- Jaa osallistujat ryhmiin, min.2hlö, max.4hlö/ryhmä
- Ryhmät alkavat generoimaan ideoita ja kirjoittaa ideat fläppitauluille
 - HUOM! Tärkeintä on määrä, ei laatu!
- Ryhmillä on aikaa 20min tuottaa 100 ideaa
- Tämän jälkeen ryhmillä on 10min aikaa valita omista ideoistaan 3-5 parasta
- Ryhmät esittää parhaat ideansa muille, max. 10min/ryhmä

4

Ohjeet 100 Ideaa

- Fasilitaattori ryhmittelee ideat
- Lopuksi valitaan 1-3 ideaa toteutettavaksi, aikaa 15-20min
- Sopikaa mitä tulette jatkossa tekemään, ja määritellä roolit
- AIHE: Järnefeltille esim. Miten päivähoito kokemus/palvelu voisi olla parempi Järnefeltin alueella?

Attachment 2 Invitation to a customer workshop by the city of Lohja

Varhaiskasvatuksen alueraadit



Tule kanssamme alueraatiin kehittämään lapsesi päiväkotipäivää entistä paremmaksi! Haluamme kehittää kanssanne toimintaamme että päiväkotipäivämme olisi lapsellenne mukava ja turvallinen.

Alueraadeissa pyritään erilaisia ryhmätyömenetelmiä käyttäen löytämään yhdessä vanhempien kanssa uudenlaisia ideoita ja uudenlaista tietoa palvelun kehittämiseksi. Ajatuksena on että kokeilemme yhdessä vanhempien kanssa sitä, mitkä menetelmät ovat parhaita toimivan vuorovaikutuksen aikaansaamiseksi. Siksi kaupungin eri alueilla voidaan kokeilla eri menetelmiä alueraatien muodossa järjestettävissä yhteisissä työpajoissa.

Tavoitteemme on viedä yhdessä teidän vanhempien kanssa tunnistetut kehityskohteet ja ideat lapsenne viihtymistä edistäviksi käytännöiksi.

Anttilan alueen vanhempainraadın kokoontuminen tiistaina 15.2.2011 klo 18-19.30 Tytyrin koulun esiopetuksen tiloissa os. Kirkkokatu 8 .

TERVETULOA !

leikkaa ja palauta lapsesi päivähoitopaikkaan 8.2.11 mennessä

Ilmoittautuminen

Osallistun vanhempainraatiin 15.2.2011

Allekirjoitus ja nimen selvennys

Attachment 3 Theme interview

LAUREA Service Innovation & Design (Master's thesis) / Johanna Pessa, Tiina Nousiainen

Asiakaslähtöinen palvelujen kehittäminen kunnallisella sektorilla

- Mitä tässä projektissa tehtiin, mikä oli tavoite?
- Mistä aloite yhteiskehittelyyn? Kaupungilta, asiakkailta tai muualta?
- Millä tavoin asiakkaat käytännössä osallistettiin palvelujen kehittämiseen?
- Mikä oli sähköisen viestinnän rooli asiakkaiden ja kunnan välisessä palvelujen yhteiskehittämisessä?
- Millaisia tuloksia saatiin ja miten yhteiskehittely koettiin kaupungin ja asiakkaiden näkökulmasta?
- Millä tavoin kaupunkilaisten palautetta käsiteltiin kaupungin organisaatiossa, miten ideoita/ehdotuksia vietiin eteenpäin ja mahdolliseen toteutukseen?
- Mitä sinun mielestäsi palvelujen asiakaslähtöinen kehittäminen ja kuntalaisten kanssa yhdessä kehittäminen vaatii **sisäiseltä organisaatiolta**, kaupungilta/kunnalta?
- Onko teillä tehty muita asiakaslähtöisen palvelun kehittämisprojekteja, mitä? Millaisia kokemuksia niistä?
- Oletteko kehittäneet/löytäneet toimivia **toimintamalleja** palvelujen yhteiskehittämiseen kaupunkilaisten/kuntalaisten kanssa?